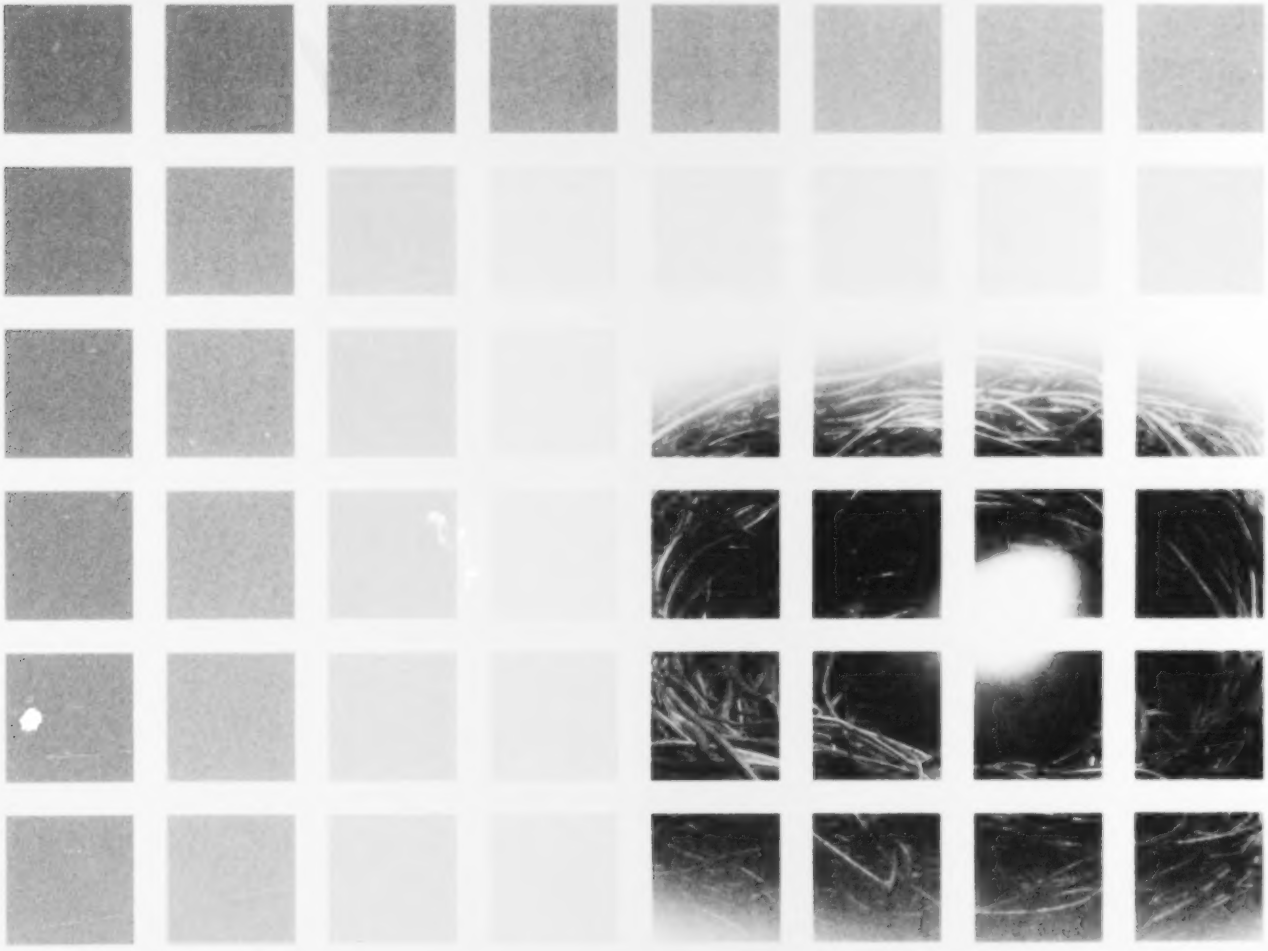
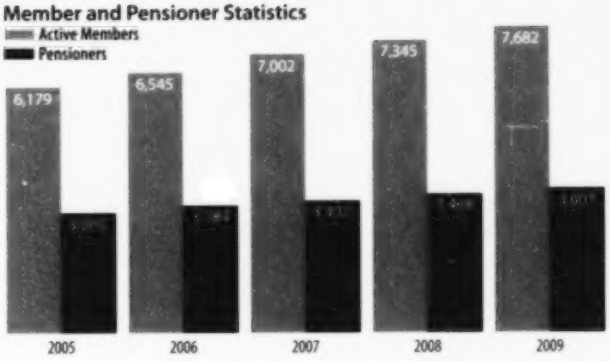
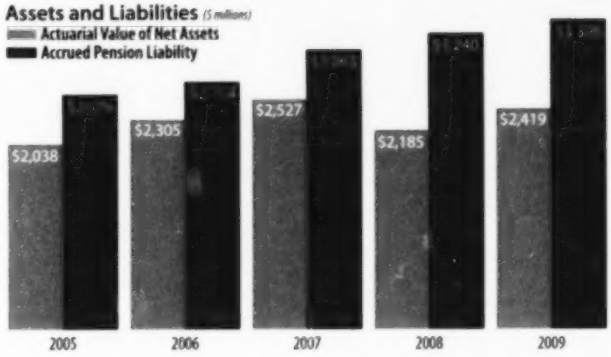
Universities Academic Pension Plan ■ 2009 Annual Report



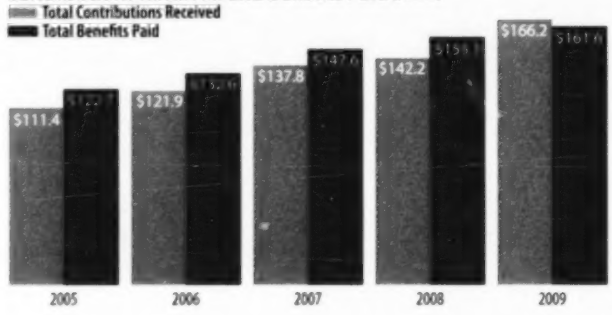
Member and Pensioner Statistics



Assets and Liabilities *($ millions)*



Contributions Received and Benefits Paid *($ millions)*



Assets and Liabilities Summary *($ millions)*

As at December 31

	2009	2008
Net investments	$ 2,286	$ 1,972
Net receivable	8	15
Net assets	2,294	1,987
Actuarial adjustment for fluctuation in fair value of net assets	125	198
Actuarial value of net assets	2,419	2,185
Actuarial deficiency	971	1,055
Accrued pension liability	$ 3,390	$ 3,240

PROFILE

The Universities Academic Pension Plan (UAPP) was established in 1978 as a defined benefit pension plan for members of the academic and professional staff of Alberta universities and The Banff Centre. The UAPP was set up under the Public Sector Pension Plans Act (Alberta) and the Provincial Treasurer was the trustee until December 31, 2000.

The UAPP became an independent pension plan registered under the Employment Pension Plans Act (Alberta) and the Income Tax Act (Canada) as of January 1, 2001. The UAPP is now established under the Sponsorship and Trust Agreement signed by the academic staff associations and the boards of governors of four Alberta universities and The Banff Centre as Sponsors.

- The Board of Trustees, as established under the Sponsorship and Trust Agreement, became the Trustee of the UAPP as of January 1, 2001.
- The UAPP has approximately 7,680 active members, 1,245 deferred members and 3,600 pensioners.
- The UAPP Fund's market value at the end of 2009 was $2,294.3 million.

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BOARD OF TRUSTEES – 2009

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Murray Walford, CMA
Athabasca University

Art Nutt, CGA
The Banff Centre

Jake Gebert, CA
University of Calgary

Nancy Walker, MBA, FCA
University of Lethbridge

Employee Appointees

Daniel Furgason, BSc
University of Lethbridge

Mazi Shirvani, PhD (Chair)
University of Alberta

Anne Stalker, B.A.(Hon.), LL.B.,(Qu.)
University of Calgary

Zengxiang (Eric) Wang, PhD
Athabasca University

COMMITTEES OF THE BOARD

Actuarial Committee

Phyllis Clark
Mazi Shirvani, Chair
Nancy Walker

Audit Committee

Art Nutt, Chair
Eric Wang

Investment Committee

Ron Bercov
Phyllis Clark
Dan Furgason, Chair
Bob Normand

Executive Director

Virendra Gupta, MASc, CFA

BOARD COMPOSITION

The Board of Trustees (Board) of the UAPP oversees the Plan. The Board is composed of five employer trustees and four employee trustees. However, the total votes carried by the employer trustees are the same as the votes carried by the employee trustees. The offices of Chair and Vice-Chair alternate every two years between employer and employee trustees.

BOARD MANDATE

The Board is responsible for administration of the UAPP, investment of UAPP funds, setting contribution rates required to fund the UAPP and assisting Sponsors in developing appropriate changes to the UAPP. In carrying out its mandate, the Board is assisted by a small management team.

MISSION

It is the mission of the Board to deliver on its mandate in a manner that is consistent with:

- high quality services to the UAPP and members,
- prudent investment of the Fund,
- seeking stable contribution rates within the funding requirements of the EPPA,
- best practices in pension plan governance and management, and
- all applicable rules, laws and regulations.

VALUES

In carrying out its mission, the Board is guided by the following values:

- work in full partnership with Sponsors,
- be member/stakeholder focused,
- be open, accountable and responsible for its actions,
- conduct UAPP business with trust, fairness and integrity,
- adhere to the highest ethical standards,
- value and treat its employees as a vital resource, and
- learn, adapt and change to conduct the UAPP business better.

PENSION BENEFITS ADMINISTRATION SERVICES PROVIDER

Buck Consultants

Member Pension Inquiries
155 Wellington Street West
Suite 3000
Toronto ON M5V 3H1
Attn: UAPP Administrator
Phone: 1.866.709.2092
Email: uappadmin@acs-hro.com

PENSIONER PAYROLL

CIBC Mellon Global Securities Services Company

Pensioner Payroll Inquiries
CIBC Mellon Pension Benefits Department
PO Box 5858, Station B
London ON N6A 6H2
Phone: 1.800.565.0479
www.CIBCMellon.com

INVESTMENT MANAGEMENT

Alberta Investment Management Corporation (AIMCo)

ASSET CONSULTANTS

Aon Consulting Inc.

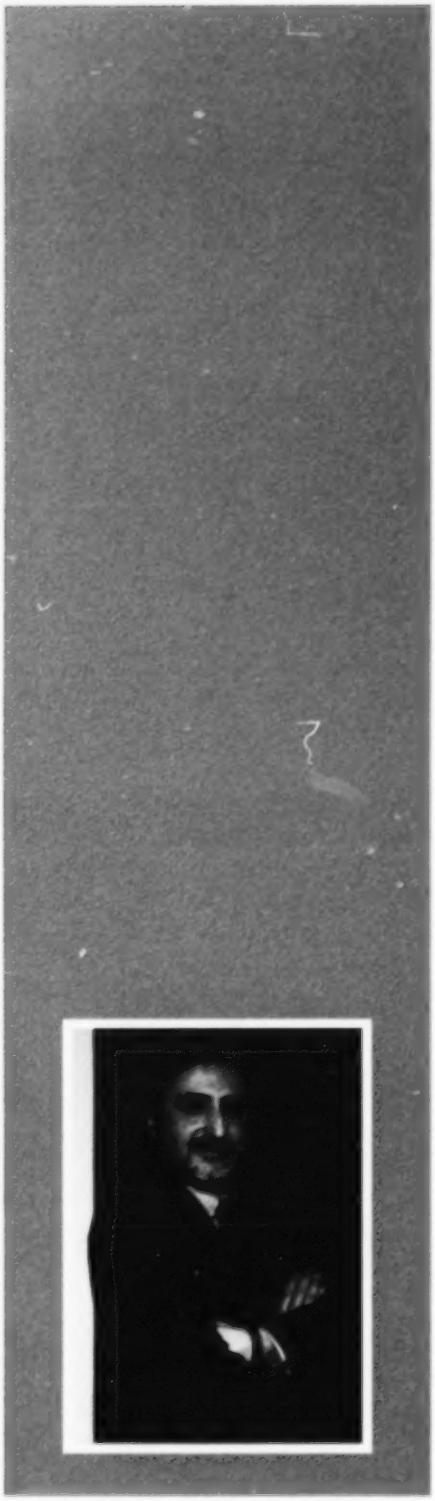
ACTUARY

Mercer

AUDITOR

KPMG LLP

Standing (Back): Art Nutt, Anne Stalker, Virendra Gupta, Eric Wang
Sitting (Front): Murray Walford, Mazi Shirvani, Nancy Walker, Dan Furgason, Jake Gebert
Missing: Phyllis Clark



A MESSAGE FROM THE CHAIR

The main message of this Annual Report is that we are starting to dig our way out of the worst financial crisis and collapse of capital markets that occurred since the great Depression. The Board has taken actions to keep the Plan on a sound financial track to meet its obligations and secure the benefits. The UAPP is not alone in increasing contributions. Almost all large defined benefit plans are doing that. The markets performed reasonably well in the last three quarters and the UAPP Fund returned 15.4% in 2009. That added over $300 million to the Plan's assets.

To assess the impact of poor investment returns in 2008, changes that occurred in the Plan's membership composition over the previous two years and current economic expectations on the Plan's financial health, the Board undertook an actuarial valuation of the Plan as of the end of 2008. After careful consideration of the results of the valuation under several scenarios, the Board increased contributions to amortize the higher unfunded liability and strengthen the funding for current service.

The Board recognizes that a large part of the post-1991 unfunded liability is mainly due to the unprecedented poor return of the Fund in 2008. As in the past, improving markets can go a long way in reducing this unfunded liability. The return of 15.4% in 2009, as compared to the assumed return of 6.7%, is a good first step in this direction.

In the decade ending in 2009, unlike in the prior two decades, investors gained little other than volatility from exposure to equities. In fact, the equity risk premium – extra return for taking on the risk of equity investments over long bonds – was negative in this decade. This has hurt the Plan's performance. With the view that equities outperform bonds in the long term, over 60% of the UAPP Fund is invested in equities worldwide. However, in order to assess the efficacy of the Plan's current asset mix in the context of current market expectations, the Board has decided to undertake an asset/liability modelling study which is underway at the time of writing.

The Board continues to monitor the changes in capital markets and review quarterly the performance of the Fund. In 2009, the Board, on the recommendation of its Investment Committee, approved a broader benchmark (ACWI) for the non-Canadian equity investments, eliminated a specific policy allocation to Canadian small cap equities and provided the investment manager discretion to invest up to 5% of the Fund's market value in opportunistic investments that may not fit the asset classes covered in the asset mix.

The Board invited bids for actuarial services in 2009. A Request for Proposals was sent to the incumbent and four other large firms, all of whom submitted a detailed response. After a comprehensive evaluation of the responses, the Board selected Aon Consulting Inc. as the UAPP's actuary starting in 2010.

To facilitate interaction among the parties involved in pension benefits administration, the Board established the Pension Benefits Administration User Group last year. The purpose of the User Group is to act as a forum for consultation and interaction among the parties involved in the administration of UAPP pension benefits. The User Group began meeting in 2009, and initial reports indicate that it is working well.

The Board continues to work with Plan Sponsors on issues related to the Plan, particularly changes required to the Sponsorship and Trust Agreement (STA) and the unfunded liability for pre-1992 service. The Board also provides input and feedback to authorities on proposed regulatory changes.

Member communications are very important to the Board. To keep members informed about the UAPP, information is provided to members through several channels, including regular publications and the website. We publish the Communiqué quarterly to inform members on pension matters and related issues. Our website at www.uapp.ca provides comprehensive information on the UAPP. We are pleased that members are using our website to access Plan information. The Board's goal is to reduce the use of paper by providing documents and information through the website. Web-based publications not only reduce costs but also can be made available earlier and revised more easily. A Retirement Planner that allows members to estimate their UAPP pension and potential income from other sources such as RRSPs and other savings can be accessed through our website. In March 2009, a system enhancement enabling members to access the Retirement Planner with Firefox and Safari web browsers was implemented.

On behalf of the UAPP, it is my pleasure to thank Ron Bercov and Bob Normand as external members on the Investment Committee, who gave generously of their time to the UAPP. The Board is pleased to announce the appointment of Tom Bradley as an external member on the Investment Committee commencing in 2010. Tom is the President and co-founder of Steadyhand Investment Funds, a mutual fund investment company located in Vancouver, BC. Prior to that, he was the President of Phillips, Hager & North.

We also want to thank Douglas Stratton, Brian Gibson and other staff at AIMCo for their work related to the UAPP during the year and look forward to working with them on the Fund's investments.

I want to thank my colleagues on the Board and the Trustees' Office staff for their personal support and guidance to me in my role as Chair. As my term as Chair and Board member ends, I would like to welcome and extend my best wishes to Phyllis Clark as the new Chair of the Board and wish her, the Board and the Trustees' Office staff well in their business and personal lives.

The UAPP relies on a small team to carry out its mandate and related functions. On behalf of the Board, it is my great pleasure to say "thank you" to our Executive Director, Virendra Gupta, and the rest of the Trustees' Office team for their excellent service and dedication to the UAPP.

Mazi Shirvani
Chair, Board of Trustees

The Plan's Assets

The market value of the Plan's net assets was $2,294.3 million at the end of 2009. This is an increase of $307.8 from the Fund value of $1,986.5 million a year ago. The increase is mainly due to the UAPP Fund's overall return of 15.4% in 2009. The contributions to the Plan exceeded the benefit payments and expenses by $2.7 million which also added to the Plan's assets.

The large positive return reflects the dramatic change in investor sentiment as concerns such as the survival of large financial institutions and worsening economic conditions began to wane starting in the second quarter of 2009. The Canadian equity market reached a low of 7,479.96 in March of 2009 but then rallied to close the year at 11,746.11. This pattern was repeated across all major equity markets although markets still remain well below their previous peaks. In the US, the spread in yield between the US treasury bonds and seasoned AAA bonds, as measured by Moody's, peaked at 268 basis points late in 2008 but by the end of 2009 had narrowed to 62 basis points. This decrease in credit spreads, or the interest differential between risky and risk-free bonds, signified an improvement in the availability of credit in the economy and a move towards more "normal" credit markets. The price of oil opened the year at US$48 and rose to US$80 by yearend. The Canadian dollar increased relative to the US dollar from 81 cents at the end of 2008 to 95 cents at the end of 2009.

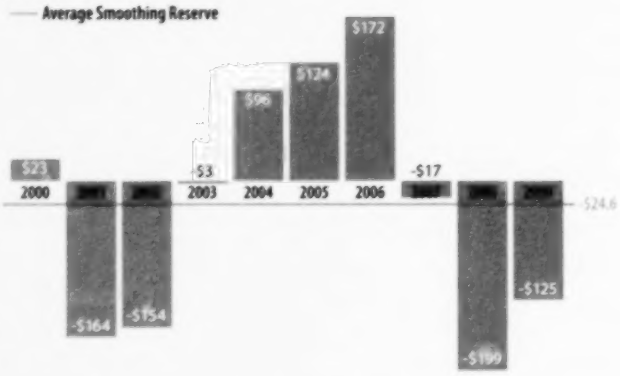
The Fund's performance was helped by the recovery in equity markets which were up on average 32.5% across the globe. The gains from foreign markets were diluted to some degree by the Fund's unhedged exposure to the US dollar as the Canadian dollar appreciated 17% against the US dollar. Fixed income returns, in comparison to equity returns, were more modest with the DEX bond universe and the DEX long bond indices returning 5.4% and 5.5% respectively. Within these returns, however, corporate bonds led the way fueled by the narrowing of credit spreads. Real estate and private income recorded negative returns after extended periods of positive returns reflecting the impact of the adverse economic environment on valuations.

Assets of the Plan for funding purposes are calculated on an actuarial value basis. The Fund uses a 3-year averaging of the differences between the rates of return assumed in the actuarial valuation and the market rates of return as described in Note 2(c) of the Financial Statements for calculating the actuarial value of the assets. The actuarial value of the Fund increased from $2,185.2 million in 2008 to $2,419.0 million at the end of 2009.

CHART 1

Smoothing Reserve over 10 Years

(Actuarial Adjustment) *($ millions)*



At the end of 2009, the actuarial value of the Fund is $124.7 million higher than the market value.

In order to reduce the impact of volatility of the Fund's annual investment returns on contribution rates, the Plan uses the actuarial value of assets in determining contribution requirements. It means that the Fund will build up an Actuarial Adjustment, or a "smoothing reserve", in better-than-expected markets (2003-2006) and a deficit in worse-than-expected markets (2007-2008). Since the 2009 return has not made up for the differences in the actuarially-assumed return and the actual returns in 2007 and 2008, the Plan still has a "smoothing deficit". This deficit will have to be made up by future market performance of the Fund. As can be seen in Chart 1, over the last ten years, even though the smoothing reserve has fluctuated from $172 million to -$199 million, it has averaged only -$24.6 million, or 1.07% of Net Assets as of December 31, 2009.

	December 31, 2009			December 31, 2008		
($ millions)	Pre-92 Service	Post-91 Service	Total Service	Pre-92 Service	Post-91 Service	Total Service
Fair Value of Net Assets	893.9	1,400.4	2,294.3	851.7	1,134.8	1,986.5
Actuarial Adjustment	58.3	66.4	124.7	85.5	113.2	198.7
Actuarial Value of Net Assets	952.2	1,466.8	2,419.0	937.2	1,248.0	2,185.2
Accrued Pension Liability	1,617.6	1,772.4	3,390.0	1,689.7	1,551.0	3,240.7
Actuarial Deficiency	(665.4)	(305.6)	(971.0)	(752.5)	(303.0)	(1,055.5)
Funded Ratio on Actuarial Basis	58.9%	82.8%	71.4%	55.5%	80.5%	67.4%

The Plan's Liabilities

The Plan's accrued liabilities as of December 31, 2009 are estimated at $3,390.0 million, a growth of 4.6% over the December 31, 2008 liability estimate of $3,240.7 million. The liability for pre-1992 service in relation to that of the post-1992 service continues to decline. Now, the liability for pre-1992 service is less than the liability for post-1991 service.

The 2009 liability is based on an extrapolation by the actuary using the assumptions and methods employed in the 2008 valuation. The 2008 valuation was done based on Plan data as at December 31, 2008 and was completed in 2009.

CHART 2

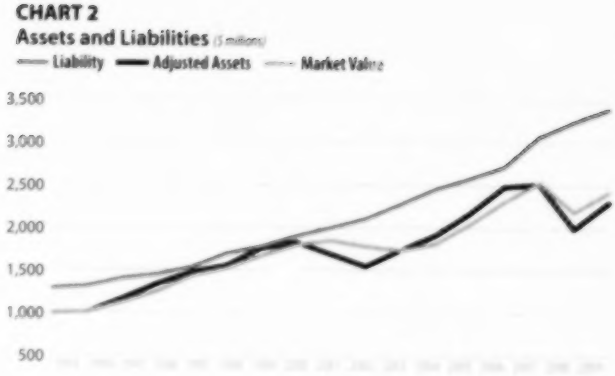
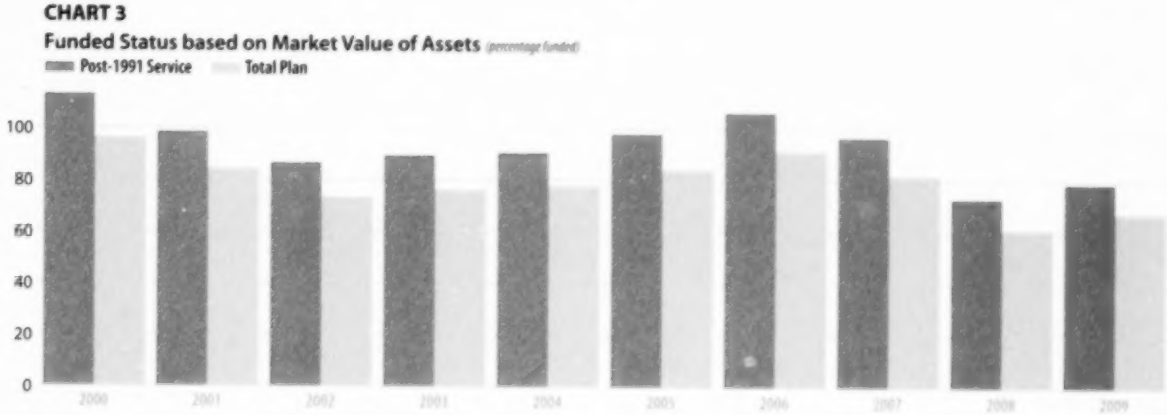


CHART 3



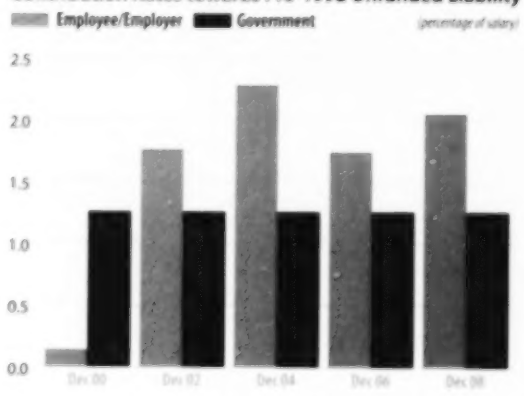
The Plan's Funded Ratio

Due to the relatively stronger returns on assets than the increase in the liability, the Plan's funded ratio on a market-value basis in 2009 increased to 67.7% from 61.3% in 2008. The funded ratio on an actuarial-value-of-assets basis improved to 71.4% as compared to 67.4% reported in the 2008 financial statements of the Plan.

The history of the funded status of the post-1991 service shows that this portion of the service can be expected to be fully funded in good markets. Any unfunded liability on the service is being amortized over 15 years and is equally shared between employers and employees.

The funded ratio for the pre-1992 service liability is 58.9% while the funded status for the post-1991 service is 82.8%. The unfunded liability for pre-1992 is accounted for separately from that of the rest of service because under the rules set by the Alberta Government in the early 1990s, it is to be retired by the end of 2043. The Alberta Government pays a fixed contribution equal to 1.25% of total salary towards this unfunded liability and the employers and employees share equally the balance of the contribution required. The employer and member contributions are adjusted at each actuarial valuation as necessary to amortize the unfunded liability by the end of 2043. The Alberta Government's share of the payments towards the pre-1992 deficit has dropped significantly in the last 6 years. The present value of the Alberta Government's future payments is estimated to be $270 million out of a total shortfall of $971million.

CHART 4



In response to the poor returns for 2008, the Board, in December 2008, increased contributions by a total of 3% for employers and employees effective July 1, 2009. After considering the results of the actuarial valuation that was conducted in 2009, the Board further increased contributions by a total of 1.65% of salary effective July 1, 2010. These actions have put the Plan on a sound financial footing and will keep it on track toward full funding if the actuarial assumptions are realized.

Funding is determined by actuarial valuations and, while the Employment Pension Plans Act requires the UAPP to perform an actuarial valuation at least once every three years to establish contributions rates, it has been the practice of the Board to undertake an actuarial valuation every two years.

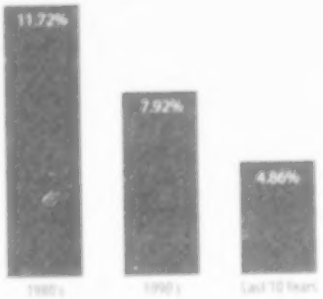
Looking Forward

To understand the risks going forward, it is important to understand the factors that have impacted the Plan's funded status over the last 10 years and the volatility experienced by the Plan during the same period.

The estimated value of the Plan's liabilities and current service cost is based on expectations regarding the future course of life expectancy, salaries, age of retirement and inflation as well as the discount rate used to calculate the present value of future benefit payments.

Salaries and life expectancy have continued to rise and inflation has been low. These factors have increased the present value of expected future benefit payments. In addition, the rate used to discount the liabilities has continued to fall in line with the declining yield of Canadian long bonds.

CHART 5
Average Government of Canada Long Bond Yield

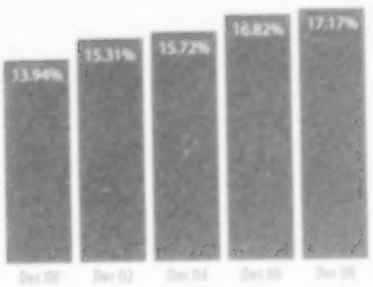


The discount rate has a large impact both on the estimated value of accrued liabilities and the current service cost. A 1% decline in the Plan's currently assumed discount rate of 6.7%, keeping other variables constant, would increase the accrued liability by 14.3% and the current service cost by 3.7% of payroll.

These changes have continually increased the cost of providing pensions, particularly in the last decade. This can be evidenced from the increase in current service costs since 2001 (see Chart 6).

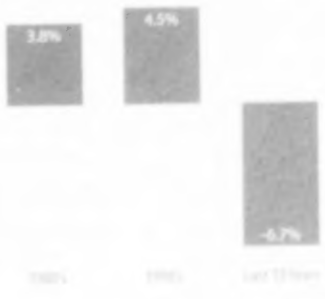
The return on the Plan's assets is of critical importance to the Plan's funded position. The decline in long bond yields meant that to keep contribution rates

CHART 6
Current Service Costs *(percentage of payroll)*



within affordable levels, the Plan has to invest in equities to increase the chances of achieving a higher long-term return. Equity investments, because of the risks associated with them, are expected to earn a premium over the risk-free rate of return available from bonds. This premium is also referred to as the equity risk premium (the difference between the stock market return and the Canadian long bond return) and is expected to be positive in the long run. However, as shown in Chart 7, the equity risk

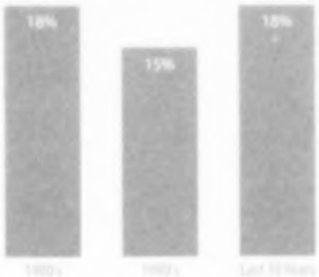
CHART 7
Equity Risk Premium



premium based on equal allocation to Canadian, US and EAFE markets in the last decade was negative though it had posted positive numbers in the prior two decades.

At the same time, as shown in Chart 8, the volatility of returns from equities was quite high and comparable to previous decades. This simply added to the volatility in the funded status of the Plan in this decade.

CHART 8
Annualized Monthly Volatility of the S&P/TSX



Currently, a male retiring at age 65 can, on average, expect to live about 18.2 years and a female retiring at the same age to about 21.4 years. The current retirees, on average, retired at around age 61 with an average service of 24 years. Based on current life expectancy, they can be expected to collect a pension for about the same number of years as they worked under the UAPP. This is very different than was the case when the Plan was first conceived. People generally collected a pension for a shorter period in relation to their working years.

Going forward, analysts expect improvements in life expectancy to continue, which will continue to add to the costs of providing pensions. Though the data does not yet reflect it, there is anecdotal evidence in surveys of people working longer and expressing a desire to work longer. Federal and provincial ministers of Finance have already proposed changes to the CPP to discourage early retirement and provide greater rewards for working past age 65. An increase in the average retirement age will help lower the Plan's costs.

Even though the current economic weakness has constrained wages and salaries, this will change as the economy returns to full health. In the long term, wages can be expected to grow in line with inflation and productivity.

While the yields on long bond rates can be expected to move up as governments begin to back off from the stimulative measures taken over the last two years, it is hard to see a big jump as long as inflation remains in check. The Bank of Canada's current annual inflation target range is 1 to 3 percent, with the Bank's monetary policy aimed at keeping inflation at the 2 percent target midpoint. On the other hand, if long bond yields were to rise, causing discount rates to move up, it would help reduce the value of the estimated liability.

A return to a more normal equity risk premium will make a significant difference to the Plan's financial position. A decade like the 80s or 90s will substantially improve the Plan's financial position. The Plan's financial health is tied to the performance of capital markets.

Despite the short-term adverse experience, it is important to keep a focus on the long-term. After all, the Plan is expected to be in operation for a very long time – presumably forever. The markets made a significant recovery in 2009 but they are still below the highs of two years ago. As the economic recovery gets stronger and the investor sentiment improves, one can expect further gains in equity markets.

To ensure that the UAPP's asset mix reflects the latest expectations of asset class risks and returns, the Board is undertaking an asset/liability modelling study. It will allow the Board to review and adjust the current asset mix as deemed appropriate. However, in the face of low interest rates, the Plan has to take on risk to manage the long-term costs of the Plan. There are no easy solutions and each risk needs to be assessed and balanced within a prudent long-term strategy to fund the Plan. As the markets gain strength and the Plan's funding position improves, the Board will remain alert to any opportunities that may arise to reduce risk exposure. In the meantime, the Board will continue to monitor developments and take action as necessary to secure the benefits.

INVESTMENT REPORT

Investment Considerations and Approach

As noted in previous reports, in developing the UAPP's investment policy, several key factors are considered.

1. The investment returns earned by the Plan's Fund is a key determinant of the size of the assets available for benefits and the contributions required from employers and employees to fund the Plan.
2. Asset classes with higher long-term returns tend to exhibit higher volatility (standard deviation) of returns. For example, historic data for Canadian equities and long bonds shows that the annual compound return for equities exceeded that of bonds by about 4% while the standard deviation of annual returns for equities was more than twice that of long bonds.
3. In setting the discount rate to estimate the present value of future payments (liability), actuaries are heavily influenced by the long bond rates prevailing at the time of an actuarial valuation.
4. The Employment Pension Plans Act requires the UAPP to perform an actuarial valuation at least once every three years and increase the contribution rates, if necessary, to meet the funding requirements. Therefore, short-term asset returns can influence employer and employee contributions.
5. Asset returns vary from year to year and can be negative over short to medium time periods. On the other hand, the liability tends to go up steadily from one year to the next as members accrue more service and the interest on the accumulated liability is added.
6. In general, the volatility associated with equity markets can be partially offset by diversification through investment in asset classes whose returns have low correlation with equities and among themselves.
7. Given the current low yields on long bonds, the Plan has to invest in equity and equity-like assets and accept the associated risk in order to seek higher returns and keep the Plan's contribution rates manageable.
8. Lower long-term costs are valued by employers and employees.

These considerations require an investment approach that seeks to obtain higher long-term returns while containing the volatility in short-term results. This goal underlies the UAPP's investment policy and risk management measures.

Investment Policy

The UAPP's investment policies are based on the investment considerations, beliefs and expectations of the Board and are set out in the Statement of Investment Policies and Goals (SIP&G). The asset mix policy, or the Fund's long-term allocation to different asset classes, is a key component of the SIP&G. It is through the asset allocation decision that the Board diversifies its investments across asset classes and seeks a balance between the objective of higher long-term returns and the need to reduce shorter-term volatility in those returns.

The Board, through its Investment Committee, monitors on an ongoing basis the investment performance of the Fund, the funded status of the Plan, capital markets and economic developments and expectations. Based on this monitoring, the Board may make adjustments to the asset mix and take other appropriate measures to control risk or improve returns. The Board reviews the SIP&G at least once a year.

The table below summarizes the Board's current Long-term Policy Asset Mix and the Actual Asset Mix of investments for 2008 and 2009. The Actual Asset Mix is expected to progress towards the Long-term Policy Asset Mix, however, short-term market movements and less liquid investments can take the asset mix temporarily off-course. A copy of the full text of the UAPP's SIP&G is available on the UAPP website **www.uapp.ca** under Publications.

	Asset Mix		
		Actual	
December 31, 2009	Long-term Policy %	2009 %	2008 %
Money Market and Fixed Income			
Cash & Short-term	0.5	0.6	0.6
Universe Bonds and Mortgages	5.0	4.8	5.1
Long Duration Bonds	12.5	13.0	12.1
Real Return Bonds	7.0	7.5	7.8
	25.0	**25.9**	**25.6**
Equities			
Canadian	17.5	18.6	17.7
Foreign	42.5	44.9	41.6
	60.0	**63.5**	**59.3**
Alternative Investments			
Real Estate	8.0	6.3	10.4
Private Income	4.0	3.2	3.1
Hedge Funds	2.0	0.8	1.3
Timberland	1.0	0.3	0.3
	15.0	**10.6**	**15.1**
Total	**100.0**	**100.0**	**100.0**

As can be seen from the table on page 10, the Plan holds a highly-diversified portfolio of investments in fixed income securities, Canadian and foreign equities and inflation-sensitive and alternative investments. This includes participation in both passively and actively-managed pooled investment funds. The Plan's investment portfolio is exposed to credit risk through bond holdings, derivative products and mortgages. Based on the view that currencies are a zero sum game in the long run, currency exposure to foreign equity markets is largely unhedged. Therefore, the returns from foreign markets will be impacted by changes in the exchange value of the Canadian dollar. The UAPP's alternative investment portfolio includes real estate, private income and timberland investments. Alternative investments are not always readily available for purchase and thus will take longer to attain their respective target asset mix.

A significant change to the Plan's investment policy in November 2009 was the consolidation of the US, EAFE and emerging markets into a single global allocation. A new benchmark, the MSCI All Country World Index (ACWI) was introduced. Since the new benchmark includes an allocation to Canada, the direct allocation to Canadian equities was reduced slightly in order to keep the Canadian allocation neutral relative to the previous policy. However, the new Index does have a higher weighting to emerging markets. Under the previous policy, the exposure to emerging markets was about 4.3% of the total Fund and under the new benchmark it is about 5.5% of the total Fund.

The Board also gave the investment manager discretion to invest up to a maximum of 5% of the Fund's market value in special opportunities that may fall outside of the asset classes covered in the Asset Mix policy. Currently, the Board holds no such investments.

The Fund has a broad global diversification across publicly-traded equities and fixed income. The new benchmark will increase the opportunity for the investment manager to add value. In addition, the Fund has other investments such as real estate and infrastructure that provide better cash on cash yield that can grow with inflation.

Investment Management

In addition to the risks associated with an asset mix, there is also the risk related to implementation of the investment policy. The UAPP Fund is invested through Alberta Investment Management Corporation (AIMCo), a provincial crown corporation reporting to the Minister of Finance and Enterprise. AIMCo invests the UAPP's assets, subject to the investment policies set out in the Board's SIP&G. AIMCo manages the majority of the Plan's investments internally through pooled investment funds. However, in order to access external expertise and specialized knowledge, some investments are managed by external investment managers selected and monitored by AIMCo. In total, AIMCo administers investment portfolios of approximately $70 billion on behalf of other public sector pension plans and the Government of Alberta.

To mitigate implementation risk, clearly-defined benchmarks, guidelines, standards and controls have been established at both the total Fund and asset class levels. AIMCo has the flexibility to act within the prescribed limits in order to add value over the policy. Both compliance with the SIP&G and performance against the specified benchmarks are monitored formally on a quarterly basis. The Board has retained an independent asset consultant, Aon Consulting Inc., to provide evaluation of both AIMCo and the external managers on a regular basis.

The relationship with AIMCo allows the UAPP to implement an investment program based on its investment beliefs and policies while benefiting from the economies of scale in implementation and access to a broader scope of investment possibilities that come with a large investment pool.

Proxy Voting

Proxy voting is an important tool in corporate governance. The Board delegates responsibility for proxy voting to AIMCo. Pension funds are to be managed in the best interests of beneficiaries. This principle governs the voting of proxies.

AIMCo outsources proxy voting to Glass Lewis. Outsourcing provides a comprehensive, reliable voting platform and permits users to monitor and audit the work done on their behalf. Glass Lewis is a leader in proxy research and operations with a client base consisting of hundreds of money managers, mutual fund companies, plan sponsors and hedge funds across the globe. Glass Lewis does not provide consulting services to issuers or their directors, and therefore has no conflicts of interest while guaranteeing coverage of all companies in their client's portfolios in a standard universe that includes nearly 15,000 public companies across 70 countries. AIMCo retains the right to override Glass Lewis should any vote appear to be contrary to AIMCo's governance principles.

AIMCo monitors the opinions of peer organizations and the Canadian Coalition for Good Governance (CCGG) regarding potentially contentious issues and the governance practices of specific companies. AIMCo is also a member of the CCGG.

Risk Management System

The Board accepts that in order to meet the return objectives of the Plan, the UAPP must take on risk inherent in the

assets in which the UAPP invests. The UAPP invests in a diverse set of asset types to help improve the likelihood of achieving the desired results for a given level of risk.

Investment risk management is a key focus for the Board and the investment manager. AIMCo seeks to measure and monitor both historic and possible future risks, allocating risk as a scarce resource to the most promising investment opportunities. AIMCo maintains a quantitative investment risk system designed to operate across all asset classes and a variety of risk types such as market risk, currency risk, concentration risk, etc.

AIMCo is working to include credit risk in its unified risk quantification, an important development in light of the turbulence in credit markets over the past several years. Previously credit risk could only be calculated on a standalone basis.

The UAPP monitors the risk of the Plan's liabilities in relation to the investment assets. AIMCo models the risk of both assets and liabilities and reports to the UAPP's Investment Committee on a quarterly basis.

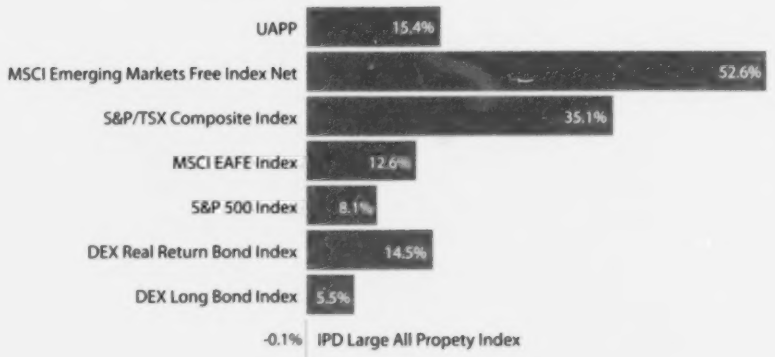
Evaluating Investment Performance

A key assumption in calculating the Plan's liabilities is the long-term real rate of return, i.e., the return net of inflation. The estimated value of the Plan's liabilities is highly sensitive to this assumption. Over the last several valuations, the Plan's actuary has used a long-term real return of 4.0% in estimating the liabilities and, therefore, this number can be seen as a long-term investment return target for the Plan.

The Plan's investment performance can also be assessed in terms of whether investment managers are adding value above their respective benchmarks. In this case, the performance of the Plan is measured against a policy benchmark return calculated using the Plan's policy allocation to each asset class and the market index return for the specific class.

While investment performance can be compared to other funds, this comparison is meaningful only to the extent that the funds being compared have similar investment objectives, risks and constraints and policies. A fund that is 100% invested in fixed income, for example, does not provide a valid comparison to a fund that is 100% invested in equities.

Returns for Major Markets and the UAPP



2009 Investment Performance

The Fund generated a 15.4% rate of return in 2009. This was driven by the strong recovery in equity markets and a narrowing of credit spreads. Performance from the Canadian and emerging equity markets made a strong contribution. Global equities did well but the strength of the Canadian dollar reduced the gains made from investments in foreign markets. Looking back over 2008 and 2009, in 2008, the weakness of the Canadian dollar provided some cushion against falling global equity markets and, in 2009, the strength of the dollar took away some of the global market gains. At December 31, 2009, one US dollar was worth $1.05 Canadian compared to $1.22 Canadian at the beginning of the year.

Real estate investments did poorly as the economy weakened and the appraisals came down. Until 2009, Canadian real estate enjoyed several strong years of positive performance reflective of high investor interest and declining capitalization rates.

The chart above summarizes the market returns in Canadian dollars from various indices around the world and the return of UAPP.

Overall, all public equity markets were up significantly in 2009.

The Canadian stock market represented by the Standard & Poor's Toronto Stock Exchange (S&P/TSX) Composite Index gained 35.1% in 2009 compared to a loss of 33.0% in 2008, a gain of 9.8% in 2007, 17.3% in 2006 and 24.1% in 2005.

Outside of Canada, equity markets rose sharply. The Morgan Stanley Capital International (MSCI) Europe, Australasia, and the Far East, (EAFE) Index, tracks the performance of approximately 1,000 companies in 24 stock exchanges around the world. In Canadian dollars, the MSCI EAFE Index gained 12.6% in 2009 compared to a loss of 29.8% in 2008, a loss of 5.7% in 2007 and a gain of 26.3% in 2006.

The S&P 500 Index, which tracks the performance of the top 500 American

companies, gained 26.5% in US dollars in 2009 compared to a loss of 37.0% in 2008 and a gain of 5.5% in 2007 and 15.8% in 2006. However, when translated into the stronger Canadian dollar, the gain was much smaller at 8.1% in 2009 compared to a loss of 21.9% in 2008 and a loss of 10.6% in 2007 and a gain of 15.7% in 2006.

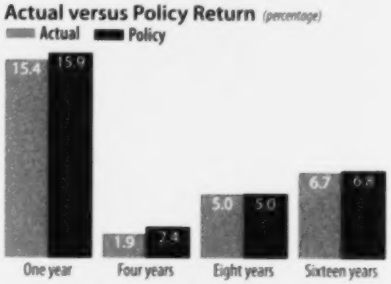
The Canadian real estate market, represented by the IPD Large Institutional All Property Index, lost 0.1% in 2009, down from a gain of 3.1% in 2008 and 16.0% in 2007.

The long bond market, represented by the DEX Long Bond Index, posted a return of 5.5% in 2009 compared to 2.7% in 2008, 3.4% in 2007 and 4.1% in 2006.

The chart below compares the Plan's actual return over one year and annualized returns over four, eight and sixteen years against the Plan's required long-term investment return (i.e., real rate of return of 4.0% plus inflation as measured by the Consumer Price Index (CPI)). The Plan's annualized returns over four, eight and sixteen years are 1.9%, 5.0% and 6.7% respectively.

Over four and eight years, the Plan's actual investment return is less than the Plan's long-term expected return of CPI plus 4.0%. Over sixteen years, the Plan's investment return met the long-term expected return target.

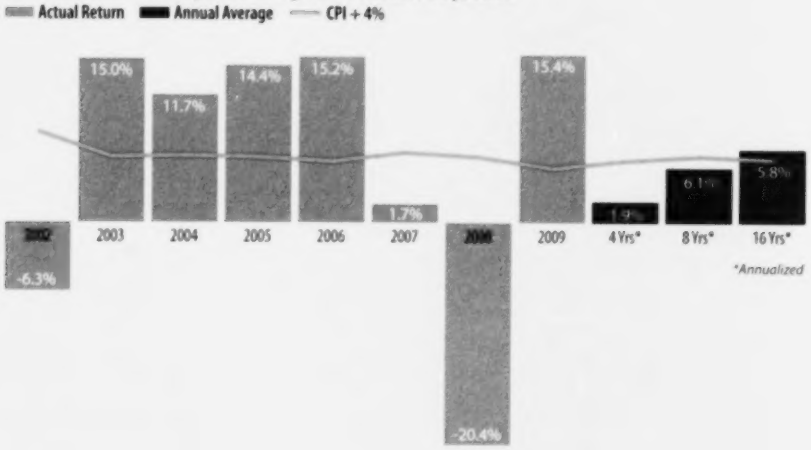
Actual versus Policy Return *(percentage)*



Actual versus Policy Return

In 2009, the Plan's actual return of 15.4% was 0.5% less than the policy benchmark of 15.9%. Over four years, on an annualized basis after expenses, the Plan's investment manager under-performed the benchmark by 0.5% (1.9% vs. 2.4%), over eight years, investment management added no value beyond the benchmark (5.0% vs. 5.0%) and over sixteen years, investment management under-performed the benchmark by 0.1% (6.7% vs. 6.8%).

Actual Return vs. Required Long-Term Return Objective

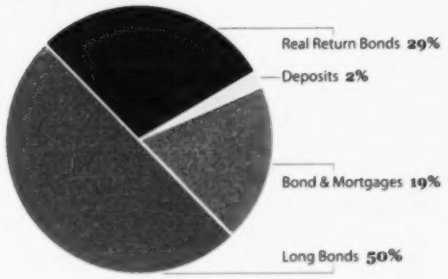


Performance by Asset Class

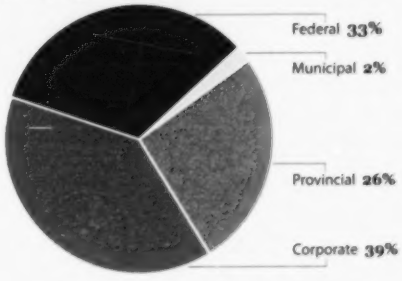
Fixed Income Investments

The UAPP's fixed income component includes cash, bonds and mortgages, long duration bonds and real return bonds, totaling 25.9% of total investments or $592 million at December 31, 2009 (25.6% or $504 million at December 31, 2008).

Summary of Fixed Income Holdings
(by type of security)



Summary of Fixed Income Holdings
(issued & guaranteed by)



The table on the right shows the returns from the Plan's fixed income portfolio in 2009. Overall, total fixed income securities gained 8.7% in 2009, 0.8% more than the combined benchmark gain of 7.9%.

Total Fixed Income	Actual Return %	Benchmark Index Combined Benchmark* %	Net Value Added (Lost) %
One year	8.7	7.9	0.8
Four year	2.8	3.7	(0.9)

** The combined benchmark includes the DEX 91-Day T-Bill Index, Universe Bond Index, Long Bond Index and Real Return Bond Index.*

Canadian Equities

At December 31, 2009, Canadian public equities represented 18.6% of the Plan's total investments or $426 million, up from 17.7% or $349 million at the end of the previous year. Canadian equities are primarily held in the Canadian Equity Master Pool. The Canadian equity portfolio uses passively-managed structured equity products and actively-managed directly-held large cap and small cap equity securities.

Total Canadian Equities	Actual Return %	Benchmark Index Canadian Equity Index %	Net Value Added (Lost) %
One year	36.1	38.3	(2.2)
Four year	4.4	3.9	0.5

The overall gain from Canadian equity investments was 36.1% in 2009, 2.2% less than the benchmark gain of 38.3%.

Canadian Equity Holdings

	By Industry Sector - %	2009	2008
1	Financials	29	27
2	Energy	24	25
3	Materials	16	14
4	Consumer Discretionary	7	8
5	Industrials	7	9
6	Telecommunications	5	6
7	Information Technology	3	3
8	Consumer Staples	5	5
9	Utilities	3	2
10	Health Care	1	1
		100	100

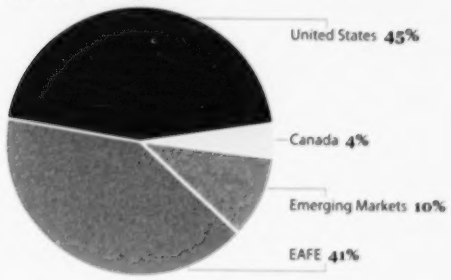
Foreign Public Equities

At December 31, 2009, foreign public equities comprised 44.9% of the Plan's total investments or $1.026 billion, up from 41.6% or $821 million the previous year. Most of the foreign public equities are included in the Global Equity Master Pool (89%), the Emerging Markets Equity Pool (10%) and overlay strategy (1%). The Global Equity Master Pool includes exposure to publicly-traded securities in the US, Europe, Australasia and the Far East (EAFE), Emerging Markets and Canada. The global developed markets equities portfolio is managed passively through structured equity index swaps and futures and managed actively through directly-held securities. The emerging market portfolio is actively-managed and includes securities in economies which are in the early stages of development and whose market has sufficient size and liquidity and is receptive to foreign investment.

Total Foreign Public Equities
By Industry Sector - %

		2009	2008
1	Financials	22	18
2	Industrials	15	11
3	Information Technology	11	11
4	Consumer Discretionary	10	9
5	Consumer Staples	10	11
6	Energy	10	11
7	Health Care	9	13
8	Materials	6	5
9	Telecommunications	4	7
10	Utilities	3	4
		100	100

Summary of Foreign Equity Holdings
(by Geographic Region)



The overall gain from foreign equity investments was 16.5% in 2009, 2.5% more than the combined benchmark gain of 14.0%.

Total Foreign Equities	Actual Return %	Benchmark Index Foreign Equity Index %	Net Value Added (Lost) %
One year	16.5	14.0	2.5
Four year	(2.1)	(1.2)	(0.9)

The Plan's global developed markets equities portfolio gained 13.7% in 2009, 2.1% greater than the benchmark gain of 11.6%.

Global Developed Equities	Actual Return %	Benchmark Index Global Equity Index %	Net Value Added (Lost) %
One year	13.7	11.6	2.1
Four year	(2.9)	(1.9)	(1.0)

The Plan's emerging markets portfolio gained 55.8% in 2009, 6.3% greater than the benchmark gain of 49.5%.

Emerging Markets	Actual Return %	Benchmark Index MSCI Emerging Markets Free Index Net %	Net Value Added (Lost) %
One year	55.8	49.5	6.3
Four year	6.7	8.0	(1.3)

Alternative Investments

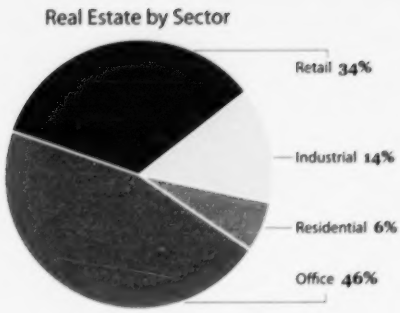
Alternative investments include real estate, private income, timberland investments and hedge funds. The Plan's loss from alternative investments in 2009 was 2.8%, compared to the combined benchmark loss of 0.2% for this class of investments. Over four years, the annualized return was 10.7%, 2.8% more than the combined benchmark return of 7.9%.

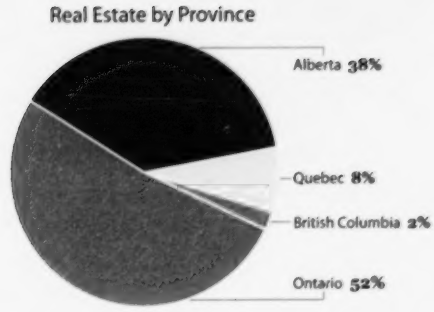
Real Estate

At December 31, 2009, real estate investments comprised 6.3% of total Plan investments or $145 million compared to 10.4% or $205 million the previous year. Real estate investments provide protection from inflation and add diversification. The real estate portfolio includes a mix of office, retail, industrial and residential properties located in Ontario, Alberta, Quebec and British Columbia. The focus is on quality properties featuring strong locations and tenants.

Real Estate	Actual Return %	Benchmark Index IPD Large Institutional All Property Index %	Net Value Added (Lost) %
One year	(7.3)	(0.1)	(7.2)
Four year	9.5	9.1	0.4

The Plan's loss from real estate investments in 2009 was 7.3%, 7.2% more than the benchmark loss of 0.1%.





Private Income

Private income securities include infrastructure-related projects that are structured to yield high current income. At December 31, 2009, private income securities comprised 3.2% of total Plan investments or $72 million compared to 3.1% or $61 million at the end of the previous year.

In 2009, private income investments gained 1.4%, 5.6% less than the benchmark of 7.0%.

Private Income	Actual Return %	Benchmark Index Consumer Price Index (CPI) Plus 6% %	Net Value Added (Lost) %
One year	1.4	7.0	(5.6)
Four year	14.7	7.7	7.0

Timberland

The timberland investment includes forestry land in Canada and globally. The investment in Canada represents an interest in a limited partnership which holds forestry land and land held for higher and better use in the Province of British Columbia. Timberland investments comprised 0.3% of total Plan investments or $7 million compared to $6 million at the end of the previous year.

The timberland investment lost 8.8% in 2009, 13.8% less than the benchmark 5.0%.

Timberland	Actual Return %	Benchmark Index Consumer Price Index (CPI) Plus 4% %	Net Value Added (Lost) %
One year	(8.8)	5.0	(13.8)
Four year	8.4	5.7	2.7

Absolute Return Strategies (Hedge Funds)

Absolute return strategies (hedge funds) comprise 0.8% of the Plan's total investment portfolio or $19 million at December 31, 2009 compared to 1.3% or $26 million at the end of the previous year. This class of investment encompasses a wide variety of strategies with the objective of realizing positive returns regardless of the overall market direction. Absolute return strategies include hedge fund strategies such as convertible arbitrage, distressed securities, event driven, equity market neutral and merger arbitrage.

The hedge fund investments gained 16.9% in 2009, 4.0% more than the benchmark gain of 12.9%.

Hedge Funds	Actual Return %	Benchmark Index HFRX Global Hedged Index %	Net Value Added (Lost) %
One year	16.9	12.9	4.0
Four year	n/a	n/a	n/a

Table of Investment Returns

	Annual Returns				Annualized
	2009	2008	2007	2006	4 yr
	%	%	%	%	%
Total Fund	**15.4**	**(20.4)**	**1.7**	**15.2**	**1.9**
Policy Return	*15.9*	*(17.9)*	*0.7*	*14.5*	*2.4*
Consumer Price Index	*1.0*	*2.0*	*2.4*	*1.6*	*1.7*
Total Fixed Income	8.7	(1.1)	2.3	1.7	2.8
Combined Benchmarks	*7.9*	*2.9*	*2.9*	*1.2*	*3.7*
Short-term Fixed Income	3.3	7.1	10.2	4.2	6.2
DEX 91-Day T-Bill Index	*0.6*	*3.3*	*4.4*	*4.0*	*3.1*
Universe Bonds	4.1	5.0	2.7	n/a	n/a
DEX Universe Bond Index	*5.4*	*6.4*	*3.7*	*n/a*	*n/a*
Long Duration Bonds	8.3	(4.2)	2.1	4.7	2.6
DEX Long Bond Index	*5.5*	*2.7*	*3.4*	*4.1*	*3.9*
Real Return Bonds	13.1	1.0	1.7	(2.9)	3.1
DEX Real Return Bond Index	*14.5*	*0.4*	*1.6*	*(2.9)*	*3.2*
Total Canadian Equities	36.1	(33.8)	11.2	18.4	4.4
Canadian Equity Index	*38.3*	*(34.1)*	*9.1*	*17.3*	*3.9*
Foreign Equities	16.5	(31.6)	(5.8)	22.2	(2.1)
Foreign Equity Index	*14.0*	*(26.8)*	*(6.6)*	*22.1*	*(1.2)*
Global Developed Equities (A)	13.7	(30.6)	(7.4)	21.4	(2.9)
Global Equity Index (A)	*11.6*	*(25.6)*	*(8.2)*	*21.3*	*(1.9)*
Emerging Markets	55.8	(45.6)	16.6	31.0	6.7
MSCI Emerging Markets Free Index	*49.5*	*(42.2)*	*18.5*	*32.5*	*8.0*
Real Estate	(7.3)	5.5	21.0	21.3	9.5
IPD Large Institutional All Property Index	*(0.1)*	*3.1*	*16.0*	*18.6*	*9.1*
Private Income	1.4	18.8	15.3	24.9	14.7
CPI plus 6%	*7.0*	*8.0*	*8.4*	*7.4*	*7.7*
Timberland	(8.8)	(8.7)	59.0	4.3	8.4
CPI plus 4%	*5.0*	*6.0*	*6.4*	*5.6*	*5.7*
Hedge Funds	16.9	(27.2)	n/a	n/a	n/a
HFRX Global Hedged Index	*12.9*	*(24.3)*	*n/a*	*n/a*	*n/a*

(A) On October 31, 2009, the Plan's US and EAFE public equity portfolios were consolidated into the global developed equity portfolio. Actual and benchmark returns in prior years for US and EAFE public equities are presented on a combined basis. For the nine months ending September 30, 2009, the actual and benchmark returns for US equities were 10.0% vs. 5.6% and for EAFE equities 12.7% vs. 12.9%.

ADMINISTRATION REPORT

The Board is responsible for the operation and administration of the UAPP. This includes the collection of member data and contributions, the calculation and payment of pensions and other benefits, and the communication of pension information to members, pensioners and employers. The 2009 results in these areas are as follows.

Active Membership & Contributions

Active membership in the UAPP increased by 4.6% in 2009, rising to 7,682 at December 31, 2009 from 7,345 at the end of 2008. Over the last decade, active membership in the UAPP has grown annually at a rate of 5.4%. As a result of increased membership and higher salaries, total contributions received from employers, employees and the Province of Alberta grew by 16.9%, to $166.2 million in 2009 from $142.2 million in 2008. The difference between the rates of growth in membership and contributions partly reflects the increase in contribution rates as of July 1, 2009.

Pensioner & Benefit Payments

The number of former employees and their spouses receiving a pension from the UAPP increased by 4.0%, rising to 3,607 in 2009 from 3,468 in 2008. During the year, the total payments to pensioners rose by 6.4% (2008: 6.6%), to $148.2 million from $139.3 million in 2008. Pensioners were granted a cost-of-living increase of 2.16% effective January 1, 2009. The most popular pension choice among the new retirees with a spouse continues to be a Joint Life with a 10-year guarantee.

Terminated and Deferred Members

Termination benefits amounting to $13.4 million (2008: $15.7 million) were paid during the year to or on behalf of former members of the UAPP. The number of members who terminated their employment with a UAPP employer and continue to have funds in the Plan climbed to 1,244 at the end of 2009 from 1,159 in 2008.

Plan Expenses

In 2009, the UAPP's general plan expenses amounted to $1.9 million ($154 per member) compared to $1.8 million ($154 per member) in 2008. The small increase in general plan expenses reflects cost control initiatives instituted in 2009.

Participation	2009	2008
Active Members	7,682	7,345
Deferred Members*	1,244	1,159
Pensioners	3,607	3,468
Total	12,533	11,972

*includes non-vested, terminated members

New Pensioners	2009	2008
Normal Retirements	40	90
Early Retirements	134	90
Pensions to Surviving Spouses	6	2
Total	180	182

New Pensioner Retirement Choices

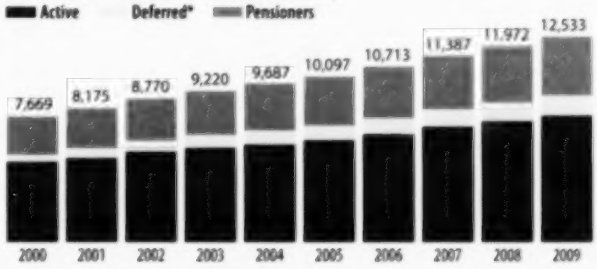
During 2009	2009	2008
Single life – with or without guarantee	47	33
Joint life – 2/3 spouse, no guarantee	25	30
Joint life – 2/3 spouse, 10-year guarantee	32	44
Joint life – 100% spouse, no guarantee	27	17
Joint life – 100% spouse, 10-year guarantee	49	58
Total	180	182

Monthly Payment Distribution

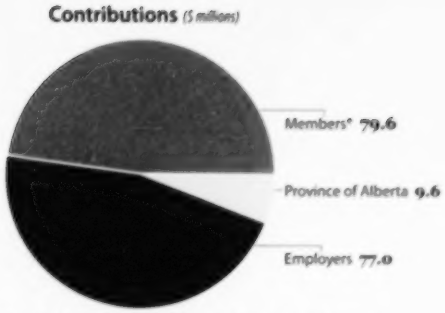
As at December 31, 2009

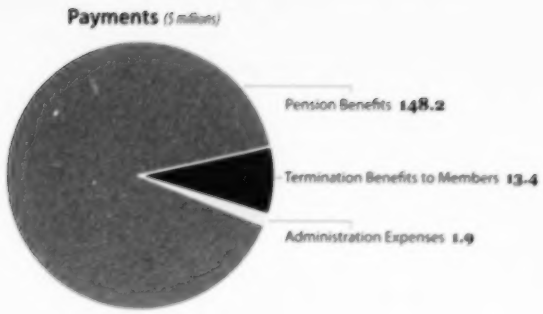
Dollar value ($) per month	Member pensions	Spouse's pensions	Total
1 to 999	364	18	382
1,000 to 1,999	422	40	462
2,000 to 2,999	563	30	593
3,000 to 3,999	657	25	682
4,000 to 4,999	668	11	679
5,000 to 5,999	490	5	495
6,000 and over	311	3	314
Total	3,475	132	3,607

Growth of Members and Pensioners



*includes non-vested, terminated members





*members' contributions include optional service contributions

Service to Members

The UAPP's goal is to provide high-quality pension services in a timely manner to members. To promote quality service, service standards have been established and the delivery of services against those standards is closely monitored.

Service standards of direct interest to members are as follows:

Responsibilities	Service Level Standards	2009 Results
Time to answer calls	80% of calls answered within 20 seconds with a call abandonment rate below 5%	99% of calls answered within 20 seconds with a call abandonment rate of 0.2%
Escalated calls and voice mails	Answered within 1 business day	100% of calls answered within 1 business day
Emails	Answered within 2 business days	99% of emails answered within 2 business days
Written enquiries	Answered within 5 business days	100% of written enquiries answered within 5 business days
Statement of options on termination	5 business days from receipt of all required information	99% of options on termination issued within 5 business days from receipt of all required information
Statement of options on retirement	5 business days from receipt of all required information	99% of options on retirement issued within 5 business days from receipt of all required information
Statement of options on death	5 business days from receipt of all required information	86% of options on death issued within 5 business days from receipt of all required information
MPO* estimate requests	5 business days from receipt of all required information	67% of MPO estimates issued within 5 business days from receipt of all required information
MPO final calculations	10 business days from receipt of all required information	89% of MPO final calculations issued within 10 business days from receipt of all required information
MPO payment authorization	3 business days from receipt of all required information	100% of all MPO payment authorizations issued within 3 business days from receipt of all required information

*Matrimonial Property Order

Plan Communications

Member Handbooks were updated and distributed in January 2009, and the Communiqué was issued quarterly to update members and employers on topical subjects related to pensions. In addition, members were provided with a personal annual statement in May giving the details of their entitlements to the end of 2008. The Trustees' Office continued to offer employers pension seminars for their members. During 2009, the Trustees' Office delivered three such seminars.

Plan members and others continue to visit the UAPP website. There were almost 57,500 hits on the site in 2009. Popular subjects of interest included "What's New", Member Handbook, Information Sheets, the Annual Report and the Communiqué. The Trustees' Office also receives comments and questions from members who use the Feedback feature on the website.

Plan members continue to make use of the call center for pension-related information. In 2009, there were over 1,600 calls handled by the call center. Plan members are also accessing the Retirement Planner.

Other Developments in 2009

- Professional Staff of the Athabasca University Faculty Association began participating in the Plan during 2009.
- Effective March 12, 2009, an enhancement was implemented allowing members utilizing Firefox or Safari web browsers to access the Retirement Planner.
- To assess the financial position of the Plan, an actuarial valuation was performed as at December 31, 2008. In order to secure the benefits of the Plan and to comply with the funding requirements of the Employment Pension Plans Act (Alberta), the Board, on the advice of its actuary, is increasing total contribution rates by 1.65% of salary. The new contribution rates shown below come into effect July 1, 2010.

	Universities of Alberta, Calgary & Lethbridge		Athabasca University & The Banff Centre	
Salary Portion	Employee	Employer	Employee	Employer
On salary up to YMPE	10.55%	10.55%	10.05%	11.05%
On salary in excess of YMPE up to pensionable salary cap	13.54%	13.54%	13.04%	14.04%
On salary in excess of pensionable salary cap	1.015%	1.015%	1.015%	1.015%

Note: The pensionable salary cap is $138,882 for 2010.

- After a comprehensive search and evaluation process, the Board selected Aon Consulting Inc. as the new actuarial consultant for the Plan.

Key plans for 2010 include:

- Expand employer reporting to streamline the process and gain efficiencies.
- Implement electronic member statements for the 2009 member statement.
- Review the information and forms available on the UAPP website.
- Continue to offer all employers member information seminars.
- Explore the feasibility of offering one-on-one member sessions.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements and information in the 2009 Annual Report are the responsibility of management and have been approved by the Board of Trustees.

The financial statements have been prepared in conformity with Canadian generally accepted accounting principles and, of necessity, include some amounts that are based on estimates and judgments. Financial information presented in the 2009 Annual Report that relates to the operations and financial position of the Universities Academic Pension Plan is consistent with that in the financial statements.

Alberta Investment Management Corporation (AIMCo), acting in the capacity of investment manager, and Buck Consultants and CIBC Mellon, acting in the capacity of pension administrators, maintain systems of internal control, including written policies, standards and procedures and formal authorization structures.

These systems are designed to provide management with reasonable assurance that transactions are properly authorized, reliable financial records are maintained and assets are adequately accounted for and safeguarded.

The Audit Committee assists the Board of Trustees in discharging its responsibility to approve the annual financial statements. The Committee meets regularly with both management and external auditors to review the scope and timing of the audit as well as to review any internal control or financial issues and their resolution. The Committee reviews the annual financial statements and recommends them to the Board of Trustees for approval.

KPMG LLP (KPMG), the Plan's external auditor, provides an independent audit of operations, investments, and financial statements. Their examination is conducted in accordance with Canadian generally accepted auditing standards and includes tests and other procedures that allow them to report on the fairness of the financial statements. KPMG has full and unrestricted access to discuss the audit and related findings regarding the integrity and financial reporting and the adequacy of internal controls.

Virendra Gupta
Executive Director
Universities Academic Pension Plan

Dave Schnore
Director, Finance and Administration
Universities Academic Pension Plan

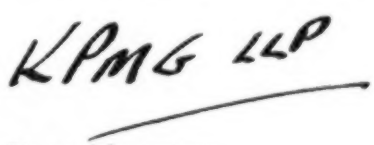
AUDITORS' REPORT

To the Board of Trustees of the Universities Academic Pension Plan

We have audited the statement of net assets and accrued pension liability of the Universities Academic Pension Plan (the Plan) as at December 31, 2009 and the statements of changes in net assets available for benefits, changes in accrued pension liability and changes in actuarial deficiency for the year then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the net assets and accrued pension liability of the Plan as at December 31, 2009 and the changes in net assets, accrued pension liability and actuarial deficiency for the year then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants
Edmonton, Canada
February 26, 2010

STATEMENT OF NET ASSETS AND ACCRUED PENSION LIABILITY

As at December 31

($ thousands)

	2009	2008
Net assets available for benefits		
Assets		
Investments (Note 3)	$ 2,286,171	$ 1,972,309
Accrued investment income and accounts receivable	407	2,407
Contributions receivable		
Employers	7,146	5,636
Employees	7,264	5,763
Province of Alberta	847	963
	2,301,835	1,987,078
Liabilities		
Accounts payable and accrued liabilities	735	549
Liabilities for investment purchases	6,800	-
	7,535	549
Net assets available for benefits	2,294,300	1,986,529
Actuarial adjustment for fluctuation in fair value of net assets (Note 8)	124,700	198,700
Actuarial value of net assets available for benefits (Note 8)	2,419,000	2,185,229
Actuarial deficiency (Note 8)	971,000	1,055,471
Accrued pension liability (Note 8)	**$ 3,390,000**	**$ 3,240,700**

The accompanying notes and schedules are part of these financial statements.

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

For the year ended December 31

($ thousands)

	2009	2008
Contributions		
Current and optional service		
Employers	$ 70,315	$ 58,557
Employees	73,060	62,472
Additional contributions to meet pre-1992 unfunded liability		
Employers	6,651	6,156
Employees	6,651	6,156
Province of Alberta	9,555	8,846
	166,232	142,187
Other income		
Net investment income (loss) (Note 6)	305,045	(508,763)
Payments		
Pension benefits	(148,197)	(139,332)
Termination benefits	(13,422)	(15,722)
Plan expenses (Note 7)	(1,887)	(1,798)
	(163,506)	(156,852)
Increase (decrease) in net assets	307,771	(523,428)
Net assets available for benefits at beginning of year	1,986,529	2,509,957
Net assets available for benefits at end of year	**$ 2,294,300**	**$ 1,986,529**

The accompanying notes and schedules are part of these financial statements.

STATEMENT OF CHANGES IN ACCRUED PENSION LIABILITY

For the year ended December 31

($ thousands)

	2009			2008
	Pre-1992	Post-1991	Total	Total
Increase in accrued pension liability				
Interest accrued on liability	$ 113,200	$ 112,100	$ 225,300	$ 212,900
Benefits earned	-	121,500	121,500	113,100
Actuarial assumption changes	(1,600)	11,300	9,700	-
Net experience (gain) loss	(49,200)	38,100	(11,100)	11,600
Cost-of-living experience (gain) loss	(14,700)	(14,400)	(29,100)	-
	47,700	268,600	316,300	337,600
Decrease in accrued pension liability				
Benefits paid, including interest	119,800	47,200	167,000	160,200
Net increase in accrued pension liability	(72,100)	221,400	149,300	177,400
Accrued pension liability at beginning of year	1,689,700	1,551,000	3,240,700	3,063,300
Accrued pension liability at end of year (Note 8)	$ 1,617,600	$ 1,772,400	$ 3,390,000	$ 3,240,700

The accompanying notes and schedules are part of these financial statements.

STATEMENT OF CHANGES IN ACTUARIAL DEFICIENCY

For the year ended December 31

($ thousands)

	2009			2008
	Pre-1992	Post-1991	Total	Total
Actuarial deficiency at beginning of year	$ 752,437	$ 303,034	$ 1,055,471	$ 535,843
Decrease (increase) in net assets available for benefits	(41,557)	(266,214)	(307,771)	523,428
Net change in actuarial adjustment for fluctuation in fair value of net assets	27,200	46,800	74,000	(181,200)
Net increase (decrease) in accrued pension liability	(72,100)	221,400	149,300	177,400
Actuarial deficiency at end of year	$ 665,980	$ 305,020	$ 971,000	**$ 1,055,471**

The accompanying notes and schedules are part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2009

NOTE 1 SUMMARY DESCRIPTION OF THE PLAN

Effective January 1, 2001 the Universities Academic Pension Plan (the Plan) became a non-statutory pension plan subject to and registered under the Employment Pension Plans Act of Alberta. The Plan is also registered under the Income Tax Act. The Plan's registration number is 0339572. The Plan operates under a Sponsorship and Trust Agreement signed by the Plan Sponsors. A complete description of the Plan can be found in the Sponsorship and Trust Agreement. The Board of Trustees appointed by Plan Sponsors is responsible for administration of the Plan. The summary description of the Plan described below applies to members who contribute to the Plan on or after January 1, 2001.

a) General

The Plan is a contributory defined benefit pension plan for academic staff members and other eligible employees of the Universities of Alberta, Calgary and Lethbridge, Athabasca University and The Banff Centre. In addition, employees of the Board of Trustees and the professional staff of the University of Calgary Faculty Association, the Association of Academic Staff University of Alberta and the Athabasca University Faculty Association also participate in the Plan.

b) Funding Policy

Contributions and investment earnings are expected to fund all benefits payable under the Plan. Employees and employers are responsible for fully funding service after 1991.

The unfunded liability for service prior to January 1, 1992 is financed by additional contributions from the Province of Alberta, employers and employees. These contribution rates are set on the basis that the additional contributions will eliminate the pre-1992 service unfunded liability on or before December 31, 2043. The Province pays 1.25% of salary and the balance of the required contributions are equally split between employees and employers.

Under the Employment Pension Plans Amendment Regulation 245/2003 (Order in Council 357/203), the Plan is exempt from funding solvency deficiencies effective January 1, 2003 in respect of all service.

The Board of Trustees, in consultation with the Plan's actuary, reviews the contribution rates at least once every three years.

Effective January 1, 2009, employees of the Universities of Alberta, Calgary and Lethbridge, employees of the Board of Trustees, and the professional staff of the University of Calgary Faculty Association and the Association of Academic Staff University of Alberta contribute at the rate of 8.27% of pensionable salary up to the Canada Pension Plan's Year's Maximum Pensionable Earnings (YMPE), 11.21% on pensionable salary above the YMPE and up to the pensionable salary cap, and 0.87% on earnings above the pensionable salary cap. Employers contribute at the same rate as employees.

Employees of Athabasca University, The Banff Centre and the professional staff of the Athabasca University Faculty Association contribute at the rate of 7.77% of pensionable salary up to the YMPE and 10.71% on pensionable salary above the YMPE and up to the pensionable salary cap. Employers contribute at a rate 1.0% higher than employees. In addition, employees and employers provide equal matching contributions of 0.87% on earnings above the pensionable salary cap.

Effective July 1, 2009, contribution rates for employees of the Universities of Alberta, Calgary and Lethbridge, employees of the Board of Trustees, and the professional staff of the University of Calgary Faculty Association and the Association of Academic Staff University of Alberta, increased to 9.77% of pensionable salary up to the YMPE, 12.71% on pensionable salary above the YMPE and up to the pensionable salary cap, and 0.87% on earnings above the pensionable salary cap. Employers contribute at the same rate as employees.

Also effective July 1, 2009, contribution rates for employees of Athabasca University, The Banff Centre and the professional staff of the Athabasca University Faculty Association increased to 9.27% of pensionable salary up to the YMPE and 12.21% on pensionable salary above the YMPE and up to the pensionable salary cap. Employers contribute at a rate 1.0% higher than employees. In addition, employees and employers provide equal matching contributions of 0.87% on earnings above the pensionable salary cap.

Effective July 1, 2010, employees of the Universities of Alberta, Calgary and Lethbridge, employees of the Board of Trustees, and the professional staff of the University of Calgary Faculty Association and the Association of Academic Staff University of Alberta shall contribute at the rate of 10.55% of pensionable salary up to the YMPE and 13.54% on pensionable salary above the YMPE and up to the pensionable salary cap, and 1.015% on earnings above the pensionable salary cap. Employers contribute at the same rate as employees.

Also effective July 1, 2010, employees of Athabasca University and The Banff Centre and the professional staff of the Athabasca University Faculty Association shall contribute at the rate of 10.05% of pensionable salary up to the YMPE and 13.04% on pensionable salary above the YMPE and up to the pensionable salary cap. Employers contribute at a rate 1.0% higher than employees. In addition, employees and employers provide equal matching contributions of 1.015% on earnings above the pensionable salary cap.

c) Retirement Benefits

The Plan provides for a pension based upon the average pensionable salary of the highest five consecutive years. For service before 1994, the pension is 2% for each year of pensionable service. From January 1, 1994, the Plan's benefits and contributions were integrated with the Canada Pension Plan. As a result, pensions for service after 1993 are reduced at age 65. The reduction is 0.6% of the average YMPE for the same five years as used in calculating the average pensionable salary of the highest five consecutive years. The maximum service allowable under the Plan is 35 years.

Members are entitled to an unreduced pension for service before 1994 if they have attained age 55 and have at least two years of membership.

Members are entitled to an unreduced pension for service after 1993 if they have either attained age 60 and have at least two years of membership or have attained age 55 and the sum of their age and years of membership equals at least 80.

Members are entitled to a reduced pension for service after 1993 if they have attained age 55 and have at least two years of membership.

Members who become disabled and have at least two years of membership and are not in receipt of benefits from an approved disability plan are eligible to apply for a disability pension.

d) Death Benefits

Death benefits are payable on the death of a member. If the member had at least two

years of membership, a surviving spouse may choose to receive a pension based on total service or a lump sum payment. For a beneficiary other than a spouse, or where membership is less than two years, a lump sum payment must be paid.

e) Termination Benefits

Members who terminate with two or more years of membership and are not immediately entitled to a pension may elect to receive a deferred pension or a lump sum refund.

Refunds on service performed before 1994 equal employee and employer contributions plus interest, or the commuted value of the member's earned pension, whichever is greater.

Refunds on service performed after 1993 equal 1.75 times employee contributions plus interest, or the commuted value of the member's earned pension, whichever is greater.

Refunds are subject to the Plan's lock-in provisions and excess contribution rules.

Members with less than two years of membership are entitled to a refund of their own contributions plus interest.

f) Disability Benefits

Members who become disabled and are in receipt of benefits from an approved disability plan continue to earn pensionable service credits under the Plan.

g) Optional Service Transfers

Leaves of absence which are purchased before April 30th following a return to work are costed based on the contributions which would have been paid during the leave period plus interest. All other optional service purchases are costed on an actuarial reserve basis and are cost neutral to the Plan. Funds related to the transfer of service to other plans are based on the regular termination benefits.

h) Cost-of-Living Adjustments

Pensions payable are increased each year on January 1st by an amount equal to 60% of the increase in the Alberta Consumer Price Index. The increase is based on the increase during the twelve-month period ending on October 31st in the previous year.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

a) Basis of Presentation

These financial statements are prepared on the going concern basis in accordance with Canadian generally accepted accounting principles. The statements provide information about the net assets available in the Plan to meet future benefit payments and are prepared to assist plan members and others in reviewing the activities of the Plan for the year.

Except for real rate of return bonds which are held directly by the Plan, Plan investments are held in pooled investment funds established and administered by Alberta Investment Management Corporation (AIMCo). Pooled investment funds have a market-based unit value that is used to allocate income to pool participants and to value purchases and sales of pool units.

b) Valuation of Assets and Liabilities

Investments are recorded in the financial statements at fair value.

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

For private investments and timberland investments, the fair value is based on estimates where quoted market prices are not readily available. Estimated fair values may not reflect amounts that could be realized upon immediate sale, or amounts that ultimately may be realized. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments.

The methods used to determine the fair value of investments held either by the Plan or by pooled investment funds are explained in the following paragraphs:

i) Short-term securities, public fixed income securities and equities are valued at the year-end closing sale price or the average of the latest bid and ask prices quoted by an independent securities valuation company.

ii) Private fixed income securities and mortgages are valued based on the net present value of future cash flows. These cash flows are discounted using appropriate interest rate premiums over similar Government of Canada benchmark bonds trading in the market.

iii) The fair value of private income investments is estimated by managers or general partners of private income funds, pools and limited partnerships. Valuation methods may encompass a broad range of approaches. The cost approach is used to value companies without either profits or cash flows. Established private companies are valued using the fair market value approach reflecting conventional valuation methods including discounted cash flows and multiple earnings analyses.

iv) The fair value of real estate investments is reported at their most recent appraised value net of any liabilities against the real property. Real estate properties are appraised annually by qualified external real estate appraisers. Appraisers use a combination of methods to determine fair value including replacement cost, direct comparison, direct capitalization of earnings and the discounted cash flows.

v) The fair value of timberland investments is appraised annually by independent third party valuators.

vi) The fair values of deposits, receivables, accrued investment income and accounts payable and accrued liabilities are estimated to approximate their book values.

c) Actuarial Value of Net Assets Available for Benefits

To reduce the impact of market volatility on the Plan's funded status, asset values are adjusted for fluctuations in fair values. The valuation method recognizes the amount by which actual market returns differ from assumed investment returns. Under this method, asset values are calculated based on what the asset value would be at the valuation date had the assets earned precisely the rate of return assumed in the actuarial valuation. This calculation is carried out independently at each of two starting points, namely the market value as at each of the two calendar year-ends preceding the valuation date. These two calculated values, together with the market value as at the valuation date, are averaged to determine the actuarial value of assets with a constraint limiting the actuarial value not to exceed 110% or fall below 90% of net assets available for benefits.

d) Income Recognition

Investment income and expenses are recognized on an accrual basis. Dividends are accrued on the ex-dividend date. Gains

...continued on page 26

or losses on investments, including those from derivative contracts, are recognized concurrently with changes in fair value.

e) Foreign Exchange

Foreign currency transactions are translated into Canadian dollars using average rates of exchange. At the year-end, the fair value of investments and any other assets and liabilities denominated in a foreign currency are translated at the year-end exchange rate. Exchange differences are included in the determination of investment income.

f) Valuation of Derivative Contracts

Derivative contracts (see Note 5) include equity and bond index swaps, interest rate swaps, forward foreign exchange contracts, equity index futures contracts, credit default swaps, cross-currency interest rate swaps and swap option contracts. The value of derivative contracts is included in the fair value of pooled investment funds. The estimated amount receivable or payable from derivative contracts at the reporting date is determined by the following methods:

i) Equity and bond index swaps are valued based on changes in the appropriate market index net of accrued floating rate interest.

ii) Interest rate swaps and cross-currency interest rate swaps are valued based on discounted cash flows using current market yields and year-end exchange rates.

iii) Credit default swaps are valued based on discounted cash flows using current market yields and calculated default probabilities.

iv) Forward foreign exchange contracts and futures contracts are based on quoted market prices.

v) Options to enter into interest rate swap option contracts are valued based on discounted cash flows using current market yields and volatility parameters which measure changes in the underlying swap.

g) Measurement Uncertainty

In preparing these financial statements, management is required to make estimates and assumptions in circumstances where actual values are unknown. These estimates and assumptions affect the amounts reported in the financial statements. Actual results may materially differ from the estimates used (see Note 2(b) and Note 8(b)).

NOTE 3 INVESTMENTS (SCHEDULES A TO D)

a) The Consolidated Cash Investment Trust Fund is managed with the objective of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio is comprised of high quality short-term and mid-term fixed income securities with a maximum term to maturity of three years.

b) The Canadian Dollar Long Bond Pool (CDLBP) and the Universe Fixed Income Pool (UFIP) are managed with the objectives of providing competitive returns comparable to the total returns of the DEX Long Term All Government Bond Index and the DEX Universe Bond Index respectively over a four-year period while maintaining adequate security and liquidity of participants' capital. The CDLBP portfolio invests only in fixed income instruments of the federal, provincial and municipal governments of Canada while the UFIP portfolio is comprised of Canadian fixed income instruments and debt related derivatives. Competitive returns are achieved through management of the portfolio duration and sector rotation.

c) Real Rate of Return Bonds are issued or guaranteed by the Government of Canada and bear interest at a fixed rate adjusted for inflation.

d) The Private Mortgage Pool is managed with the objective of providing investment returns higher than the DEX Universe Bond Index over the long term. The portfolio is comprised primarily of high-quality commercial mortgage loans and provincial bond residuals and specialty mortgages. The Pool invests primarily in loans insured by a federal agency and first-mortgage loans that provide diversification by property usage and geographic location.

e) The Currency Alpha Pool is managed with the objective of providing a fair return over a four-year period while reducing return volatility through multiple manager investment styles and strategies. The return is achieved through active currency management with currency positions established primarily through forward foreign exchange contracts.

f) The Overlay Strategy Pools provide participants with a quick, effective and efficient way to gain interim exposure to a major asset class by altering the portfolio weights of broad asset classes using synthetic instruments. The asset classes that can be replicated in the overlay program include fixed income securities, Canadian equities, US equities, Europe, Australasia and the Far East (EAFE) equities, major foreign currencies and styles and sectors. At December 31, 2009, the overlay strategy pools consisted of cash and cash equivalents which support approximately 5% to 10% of the Pools' notional exposure through futures and swap contracts.

g) On October 31, 2009, the Plan consolidated its holdings in various Canadian public equity pools and invested in the newly created Canadian Equities Master Pool (CEMP). CEMP owns all the units of the following pools:

	Percent of CEMP	
	2009	2008
Canadian Equities Index Pool	40.3	-
Canadian Quantitative Strategies Pool	32.1	-
Canadian External Managers Pool	27.6	-
	100.0	-

CEMP provides participants with the opportunity to gain broad investment exposure to Canadian public equity markets by investing in directly held public equities and structured equity products.

CEMP has a performance objective to provide returns higher than the total return of the S&P/TSX Composite Index over a four-year moving average period. The Pool gains exposure to the Canadian public equity market through a structured investment implementation and a quantitative minimum variance implementation, and uses an overlay strategy to manage the overall risk exposure. The Pool's investment in units of the Floating Rate Note Pool (FRNP) is used as the underlying securities to support the index swaps of the pool. FRNP is managed with the objective of generating floating rate income needed for the swap obligations in respect of structured investments in Canadian equities. Through the use of interest rate swaps FRNP provides investment opportunities in floating rate instruments with remaining term-to-maturities of five years or less.

h) The Canadian Equities Transition Account holds cash and one Canadian equity investment in the financial sector.

i) On October 31, 2009, the Plan consolidated its holdings in various US and Non-North American public equity pools and invested in the newly created Global Equities Master Pool (GEMP). GEMP owns all the units in the following pools:

	Percent of GEMP	
	2009	2008
Global External Managers Pool	43.0	-
Global Equities Index Pool	35.8	-
North American Concentrated Equity Pool	18.7	-
Global Equities Overlay Pool	1.8	-
EAFE Quantitative Equity Strategies	0.7	-
	100.0	-

NOTE 3 INVESTMENTS (SCHEDULES A TO D)

($ thousands)

	2009 Fair Value	%	2008 Fair Value	%
Fixed Income Securities (Schedule A)				
Deposit in the Consolidated Cash Investment Trust Fund (a)	$ 25,129	1.1	$ 8,712	0.4
Canadian Dollar Long Bond Pool (b)	298,003	13.0	287,328	14.6
Universe Fixed Income Pool (b)	23,635	1.0	14,864	0.8
Private Mortgage Pool (d)	86,389	3.8	84,930	4.3
Currency Alpha Pool (e)	1,230	0.1	1,809	0.1
Fixed Income Overlay Strategy Pool (f)	(17,660)	(0.7)	(48,921)	(2.5)
Tactical Asset Allocation Pool	2,749	0.1	1,039	0.1
	419,475	18.4	349,761	17.8
Real Rate of Return Bonds (c)	172,191	7.5	154,682	7.8
	591,666	25.9	504,443	25.6
Canadian Equities (Schedule B)				
Canadian Equity Master Pool (g)	412,267	18.0	-	-
Canadian Equities Transition Account (h)	13,641	0.6	-	-
Canadian Equity Overlay Strategy Pool (f)	-	-	19,241	1.0
Other Canadian Equity Pools	-	-	329,439	16.7
	425,908	18.6	348,680	17.7
Global Equities (Schedule C)				
Global Equity Master Pool (i)	908,886	39.8	-	-
Emerging Markets Equity Pool (j)	97,106	4.2	41,211	2.1
Global Equity Overlay Strategy Pool (f)	20,167	0.9	43,047	2.2
Other Global Equity Pools	-	-	736,567	37.3
	1,026,159	44.9	820,825	41.6
Alternative Investments				
Private Income Pools (k)	71,809	3.2	60,829	3.1
Timberland Pool (l)	6,659	0.3	6,246	0.3
Absolute Return Strategies Pool (m)	19,179	0.8	26,416	1.3
Private Real Estate Pool (n) (Schedule D)	144,791	6.3	204,870	10.4
	242,438	10.6	298,361	15.1
Total Investments	$ 2,286,171	100.0	$ 1,972,309	100.0

GEMP provides participants with the opportunity to gain broad investment exposure to global public equity markets by investing in directly held public equities, structured equity products and concentrated equities.

GEMP has a performance objective to provide returns higher than the total return of the Morgan Stanley Capital International (MSCI) World Total Return Index over a four-year moving average period. The Pool gains exposure to global equity markets in developed countries through a structured investment implementation and uses an overlay strategy to manage the overall risk exposure. The Pool's North American concentrated equity strategy holds larger positions in mid size Canadian and American companies ranging from 5% to 20% of outstanding common shares. The Pool's investment in units of FRNP is used as the underlying securities to support the index swaps of the Pool.

j) The Emerging Markets Equity Pool consists of publicly traded equities in emerging markets around the world. The portfolio is actively managed by external managers with expertise in emerging markets. The performance objective is to provide returns higher than the total return of the Morgan Stanley Capital Index (MSCI) Emerging Markets Free Net (EMF) Index over a four-year period.

k) The Private Income Pools are managed with the objective of providing investment returns comparable to the Consumer Price Index plus 6% over the long term. The Pools invest in infrastructure-related projects that are structured to yield high current income.

l) The Timberland Pool provides high current income and long investment horizons. The timberland investment is a partnership in forestry land in British Columbia. The performance objective is to earn a return higher than CPI plus 4.0%.

m) The Absolute Return Strategies Pool is managed with the objective of providing investment returns comparable to the HFRX Global Hedged Index. The Pool is intended to yield absolute positive investment returns with lower volatility using various investment strategies.

n) The Private Real Estate Pool is managed with the objective of providing investment returns higher than the Investment Property Databank (IPD) Large Institutional All Property Index over the long term. Real estate is held through intermediary companies which have issued to the Pool common shares and participating debentures secured by a charge on real estate. Risk is reduced by investing in properties that provide diversification by geographic location, by property type and by tenancy. The Pool is intended to provide diversification from the securities market.

NOTE 4 INVESTMENT RISK MANAGEMENT

Fair values of investments are exposed to credit risk and price risk. Credit risk relates to the possibility that a loss may occur from the failure of another party to perform according to the terms of a contract. Price risk is comprised of currency risk, interest rate risk and market risk. Currency risk relates to the possibility that the investments will change in value due to future fluctuations in foreign exchange rates. Interest rate risk relates to the possibility that the investments will change in value due to future fluctuations in market interest rates. Market risk relates to the possibility that the investments will change in value due to future fluctuations in market prices.

Long-term real rate of returns expected to be earned on investments is the key assumption in calculating the actuarial liabilities of the Plan. In order to earn the best possible return at an acceptable level of risk, the Board of Trustees established the following long-term policy asset mix for investments:

Fixed Income	25.0%
Canadian Equities	17.5%
Global Equities	42.5%
Real Estate	8.0%
Private Income	4.0%
Absolute Return Strategies	2.0%
Timberland	1.0%

Investment risk is reduced through asset class diversification, diversification within each asset class, quality constraints on fixed income instruments and restrictions on amounts exposed to countries designated as emerging markets. Controls are in place respecting the use of derivatives (see Note 5). Forward foreign exchange contracts may be used to manage currency exposure in connection with securities purchased in a foreign currency (see Note 5).

NOTE 5 DERIVATIVE CONTRACTS

Derivative contracts are financial contracts, the value of which is derived from the value of underlying assets, indices, interest rates or currency rates. The Plan uses derivative contracts held indirectly through pooled investment funds to enhance return, manage exposure to interest rate risk and foreign currency risk and for asset mix management purposes. The notional value of a derivative contract represents the amount to which a rate or price is applied in order to calculate the exchange of cash flows.

A swap is a contractual agreement between two counter-parties to exchange a series of cash flows based on a notional amount. An equity or bond index swap involves the exchange of a floating interest rate cash flow for one based on the performance of a market index. For interest rate swaps, parties generally exchange fixed and floating rate interest cash flows based on a notional amount. A credit default swap allows counter-parties to buy and sell protection on credit risk inherent in a bond. A premium is paid, based on a notional amount from one counter-party to a second counter-party in exchange for a contingent payments should a defined credit event with respect to the underlying security. Cross-currency interest rate swaps are contractual obligations in which the principal amounts of Canadian fixed-income securities denominated in foreign currency are exchanged for Canadian currency amounts both initially and at maturity. Over the term of the cross-currency swap, counter-parties exchange fixed to fixed and fixed to floating interest rate cash flows in the swapped currencies. There are underlying securities supporting all swaps. Leveraging is not allowed.

Forward foreign exchange contracts are contractual agreements to exchange specified currencies at an agreed upon exchange rate and on an agreed settlement date in the future.

Futures contracts are agreements to receive or pay cash on an agreed settlement date based on changes in the level of the specified index.

Swap option contracts include the right, but not the obligation, to enter into an interest rate swap at a preset rate within a specified period of time.

The following is a summary of the Plan's proportionate share of the notional amount and fair value of derivative contracts held by pooled funds at December 31, 2009.

	2009					2008	
	Maturity						
	Under 1 Year	1 to 3 Years	Over 3 Years	Notional Amount	Net Fair Value *	Notional Amount	Net Fair Value *
	%			($ thousands)		($ thousands)	
Equity index swap contracts	99	1	-	$ 586,467	$ 9,953	$ 560,797	$ 4,923
Futures contracts	100	-	-	309,601	20,593	87,107	11,894
Forward foreign exchange contracts	100	-	-	287,901	3,822	133,461	(7,925)
Interest rate swap contracts	24	67	9	110,583	(4,893)	192,472	(11,030)
Swap option contracts	100	-	-	96,684	(788)	-	-
Cross-currency interest rate swap	58	31	11	72,027	296	150,393	(5,106)
Credit default swap contracts	41	38	21	30,843	(197)	62,118	(3,864)
Bond index swaps	100	-	-	869	(8)	1,012	27
				$ 1,494,975	$ 28,778	$ 1,187,360	$ (11,081)

** The method of determining fair value of derivative contracts is described in Note 2(f).*

The notional amounts, upon which payments are based, are not indicative of the credit risk associated with derivative contracts. Current credit exposure is represented by the current replacement cost of all outstanding contracts in a favourable position (positive fair value). The Plan attempts to limit its credit exposure by dealing with counter-parties with good credit standing.

At December 31, 2009, the notional value of equity index swap contracts includes amounts related to counter-parties that are public service pension plans and Government of Alberta endowment funds managed by AIMCo totalling $64,862 (2008: $nil). The net fair value of these contracts totalled $(40) (2008: $nil).

NOTE 6 NET INVESTMENT INCOME (LOSS)

a) Investment Income (Loss)

Net investment income (loss) is comprised of the following:

($ thousands)	2009	2008
Net realized and unrealized gain (loss) on investments, including those arising from derivative transactions	$ 241,256	$ (599,191)
Interest income	37,833	60,425
Dividend income	23,561	25,311
Real estate income	7,574	9,305
Securities lending income	935	1,984
	311,159	(502,166)
Investment expenses	(6,114)	(6,597)
Net investment income (loss)	$ 305,045	$ (508,763)

The following is a summary of the Plan's proportionate share of net investment income (loss) by type of investments:

($ thousands)	2009	2008
Global Equities	$ 139,647	$ (353,632)
Canadian Equities	126,212	(161,963)
Fixed Income Securities	45,486	(6,954)
Absolute Return Strategies	4,657	(7,401)
Private Income	665	12,067
Timberland	(352)	(917)
Private Real Estate	(11,270)	10,037
	$ 305,045	$ (508,763)

The following is a summary of the investment performance results attained by the Plan:

	One-Year Return	Four-Year Compound Annualized Return	Eight-Year Compound Annualized Return	Sixteen-Year Compound Annualized Return
Time-weighted rates of return*				
Actual gain	15.4%	1.9%	5.0%	6.7%
*Policy Benchmark gain***	*15.9%*	*2.4%*	*5.0%*	*6.8%*
Value added (lost) from active management	(0.5%)	(0.5%)	0.0%	(0.1%)

* *The measure involves the calculation of the return realized by the Plan over a specified period and is a measure of the total proceeds received from an investment dollar initially invested. Total proceeds include cash distributions (interest and dividend payments) and capital gains and losses (realized and unrealized).*

** *The policy benchmark return is a product of the weighted average policy sector weights and sector returns. Some of the sector benchmark returns used in the determination of the overall policy benchmark are based on management's best estimate which may vary significantly from the final benchmark return. Differences between the estimated sector benchmark returns and the final benchmark returns are recorded in the period of the change.*

b) Investment Expenses

Investment expenses are recognized on an accrual basis and include those costs and fees incurred to earn investment income of the Plan. The Plan recognizes portfolio management and administration expenses incurred directly by the Plan and its share of expenses through pooled investment funds. Investment services provided directly by AIMCo are charged directly to the Plan and to pooled funds on a cost recovery basis. Investment services provided by external managers are charged to pooled funds based on a percentage of net assets under management at fair value or committed amounts. Fees charged by external managers include primarily regular management fees and performance/incentive based fees to the extent recognized.

Investment services include daily trading of securities, portfolio research and analysis, custody of securities, valuation of securities, performance measurement, maintenance of investment systems and internal audit. Alberta Finance and Enterprise provides investment accounting, reporting and treasury management services for the Plan.

Investment expenses as a percentage of net assets are provided below:

($ thousands)	2009	2008
Total investment expenses	6,114	6,597
Investment expenses as a percentage of net assets	0.27%	0.33%

Total investment expenses of $6,114 (2008: $6,597) include investment management costs totalling $870 (2008: $479) paid to AIMCo on a cost recovery basis and pooled funds management and associated custodial fees totalling $5,244 (2008: $6,118), which have been deducted in arriving at in the calculation of net investment income of the Pools and are excluded from Plan expenses.

NOTE 7 PLAN EXPENSES

($ thousands)	2009	2008
General Plan costs	$ 1,887	$ 1,798

General Plan costs, including the costs for benefit administration and delivery, amounted to $154 per member (2008: $154 per member).

NOTE 8 ACCRUED PENSION LIABILITY

a) Actuarial Valuation

An actuarial valuation of the Plan was carried out as at December 31, 2008 by the Plan's actuarial consultants, Mercer. The December 31, 2008 valuation results were extrapolated to December 31, 2009 by the Plan's new actuarial consultants, Aon Consulting Inc.

The actuarial liabilities were determined using the projected benefit method prorated on service. The assumptions used in the valuation were developed as the best estimate of expected short-term and long-term market conditions and other future events. After consultation with the Plan's actuary, the Board of Trustees adopted this best estimate.

The major assumptions used were:

	2008 Valuation and 2009 Extrapolation %	2006 Valuation and 2008 Extrapolation %
Asset real rate of return		
Next 2 years	4.00	3.00
Thereafter	4.00	4.00
Inflation rate		
Next 2 years	2.70	3.70
Thereafter	2.70	2.70
Investment return (discount rate)	6.70	6.70
Salary escalation rate *		
Next 2 years	6.25	6.00
Thereafter	3.20	3.00
Pension cost-of-living increase as a percentage of Alberta Consumer Price Index	60.00	60.00

** in addition to merit and promotion*

In accordance with the requirements of the Public Sector Pension Plans Act, a separate accounting is required of the pension liability with respect to service that was recognized as pensionable as at December 31, 1991. This information is provided in the statement of changes in accrued pension liability which shows the principal components of the change in the actuarial value of accrued benefits. The following table summarizes the accrued pension liability, fair value of assets, and the resulting actuarial deficiency as at December 31, 2009 allocated between the pre-1992 and post-1991 periods:

($ thousands)

	2009			2008
	Pre-1992	Post-1991	Total	Total
Fair value of net assets	$ 892,563	$ 1,401,737	$ 2,294,300	$ 1,986,529
Actuarial adjustment for fluctuation in fair value of net assets	59,057	65,643	124,700	198,700
Actuarial value of net assets available for benefits	951,620	1,467,380	2,419,000	2,185,229
Accrued pension liability	1,617,600	1,772,400	3,390,000	3,240,700
Actuarial deficiency	$ 665,980	$ 305,020	$ 971,000	$ 1,055,471

The Plan's unfunded liability for service prior to January 1, 1992 is being financed by additional contributions of 1.25% of salaries by the Province of Alberta with employers and employees equally sharing the balance of the contributions of 1.74% of salaries as required to eliminate the unfunded liability on or before December 31, 2043. Effective July 1, 2010, the employer and employee share shall increase to 2.03% of salaries. The actuarial valuation shows the present value of the Province of Alberta's obligation for future additional contributions was $270.2 million at December 31, 2008.

The Plan's unfunded liability for service after December 31, 1991 is being financed by special payments of 1.08% of salaries shared equally between employers and employees until December 31, 2021. Effective July 1, 2009, the employer and employee contribution increased to 4.08% of salaries. Effective July 1, 2010, the employer and employee contribution shall increase to 5.09% of salaries.

The additional contributions and special payments have been included in the rates in effect at January 1, 2009, July 1, 2009, and July 1, 2010 (see Note1(b)).

b) Sensitivity of Changes in Major Assumptions

The Plan's future experience will inevitably differ, perhaps significantly, from these assumptions. Any differences between the actuarial assumptions and future experience will emerge as gains or losses in future valuations and may materially affect the financial position of the Plan.

	Sensitivities		
	Increase in Changes in Assumptions %	Increase in Plan's Actuarial Deficiency *($ thousands)*	Current Service Cost as a % of Earnings*
Inflation rate increase holding nominal investment return and salary escalation assumptions constant	1.0	213,400	1.3
Salary escalation rate increase holding inflation rate and nominal investment return assumptions constant	1.0	35,700	0.6
Investment rate of return decrease holding inflation rate and salary escalation assumptions constant	1.0	486,400	3.7

** The current service cost as a % of pensionable earnings as determined by the December 31, 2008 valuation is 17.17%.*

NOTE 9 REMUNERATION OF BOARD MEMBERS

Remuneration rates as approved by Plan Sponsors are as follows:

Remuneration rates effective April 1, 2009	Chair	Trustee
Up to 4 hours	$ 219	$ 164
4 to 8 hours	383	290
Over 8 hours	601	427

During the year, the following amounts were paid:

	2009	2008
Remuneration		
Chair	$ 2,226	$ 2,690
Trustees (8)	29,790	33,218
Travel expenses		
Chair	378	998
Trustees (8)	15,184	24,919

Trustees are paid for attending and preparing for Board and Committee meetings and for time spent on specified UAPP business upon the approval of the Board. Preparation time for a meeting is remunerated at no more than 4 hours.

NOTE 10 COMPARATIVE FIGURES

Comparative figures have been reclassified to be consistent with the 2009 presentation.

NOTE 11 APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Board of Trustees of the Plan.

SCHEDULE A
SCHEDULE OF EFFECTIVE NET INVESTMENTS IN FIXED INCOME SECURITIES

As at December 31

	($ thousands) Plan's Share 2009	2008
Deposits and Short-term Securities	$ 12,106	$ 18,062
Fixed Income Securities (a) (b)		
Government of Canada, direct and guaranteed	190,977	119,803
Provincial		
Alberta, direct	4	4
Other provincial, direct and guaranteed	151,075	135,471
Municipal	11,262	11,629
Corporate, public and private	222,513	216,777
	575,831	483,684
Receivable from sale of investments and accrued investment income	4,244	5,458
Accounts payable and accrued liabilities	(515)	(2,761)
	3,729	2,697
	$ 591,666	**$ 504,443**

(a) Direct investments and derivative contracts are classified based on the risk exposure to the above asset mix categories. The Plan's effective net investment in Deposits and Fixed Income Securities is reduced by the notional amount of derivative contracts totalling $17,660 (2008: $54,196).

(b) Fixed income securities held as at December 31, 2009 had an average effective market yield of 4.5% per annum (2008: 4.6%). The following term structure of these securities as at December 31, 2009 is based on the principal amount.

	2009 %	2008 %
under 1 year	1	1
1 to 5 years	8	6
5 to 10 years	12	5
11 to 20 years	20	20
over 20 years	59	68
	100	100

SCHEDULE B
SCHEDULE OF EFFECTIVE NET INVESTMENTS IN CANADIAN EQUITIES

As at December 31

	($ thousands) Plan's Share 2009	2008
Deposits and Short-term Securities	$ 6,088	$ 10,043
Public Equities (a) (b)		
Consumer Discretionary	27,539	28,756
Consumer Staples	19,840	15,653
Energy	98,201	86,887
Financials	121,907	90,275
Health Care	3,892	2,195
Industrials	30,915	30,230
Information Technology	13,584	10,591
Materials	68,331	49,216
Telecommunications	21,983	20,197
Utilities	10,516	6,668
	416,708	340,668
Pooled investment funds	-	83
	416,708	340,751
Receivable from sale of investments and accrued investment income	6,388	8,621
Accounts payable and accrued liabilities	(3,276)	(10,735)
	3,112	(2,114)
	$ 425,908	**$ 348,680**

(a) Direct investments and derivative contracts are classified based on the risk exposure to the above asset mix categories. The Plan's effective net investment in Canadian public equities includes the notional amount of Canadian equity index swaps and futures contracts totalling $135,720 (2008: $144,987).

(b) The sector classification conforms to the Global Industry Classification Standard followed by the Standard and Poor's Toronto Stock Exchange Composite Index.

SCHEDULE C
SCHEDULE OF EFFECTIVE NET INVESTMENTS IN GLOBAL EQUITIES

As at December 31

($ thousands)

	Plan's Share 2009	Plan's Share 2008
Deposits and Short-term Securities	$ 7,004	$ 15,681
Public Equities (a) (b)		
Consumer Discretionary	99,831	70,536
Consumer Staples	95,516	88,284
Energy	95,189	84,936
Financials	206,274	138,023
Health Care	83,766	99,150
Industrials	141,144	89,700
Information Technology	106,647	83,207
Materials	53,488	40,425
Telecommunications	42,298	52,318
Utilities	32,360	39,525
	956,513	786,104
Pooled investment funds	-	20,864
US Hedge Funds	64,858	-
	1,021,371	806,968
Receivable from sale of investments and accrued investment income	6,478	6,622
Accounts payable and accrued liabilities	(8,694)	(8,446)
	(2,216)	(1,824)
	$ 1,026,159	$ 820,825

(a) Direct investments and derivative contracts are classified based on the risk exposure to the above asset mix categories. The Plan's effective net investment in global public equities includes the notional amount of global equity index swap and futures contracts totalling $448,474 (2008: $442,994).

(b) The sector classification conforms to the Global Industry Classification Standard followed by the MSCI World Total Return Index. Global equities by geographic region are as follows:

($ thousands)

	Plan's Share 2009	Plan's Share 2008
United States	$ 458,202	$ 376,332
Europe, Australasia and the Far east	418,651	389,425
Emerging Markets	103,671	41,211
Canada	40,847	-
	$1,021,371	$ 806,968

SCHEDULE D
SCHEDULE OF INVESTMENTS IN REAL ESTATE

As at December 31

($ thousands)

	Plan's Share 2009	Plan's Share 2008
Deposits and Short-term Securities	$ 3,763	$ 448
Real Estate (a)		
Office	62,731	92,205
Retail	45,362	59,303
Industrial	18,380	32,095
Residential	8,317	12,467
	134,790	196,070
Pooled investment funds	5,448	6,949
Accrued income and accounts receivable	790	1,403
	$ 144,791	$ 204,870

(a) The following is a summary of the Plan's investment in real estate by geographic locations:

($ thousands)

	Plan's Share 2009	Plan's Share 2008
Ontario	$ 70,059	$ 100,522
Alberta	50,535	74,291
Quebec	11,342	17,016
British Columbia	2,854	4,241
	$ 134,790	$ 196,070

GLOSSARY – TERMS

ABSOLUTE RETURN STRATEGIES/ HEDGE FUNDS
Encompass a wide variety of investments and trading strategies in private and publicly-traded securities with the objective of realizing positive returns independent of market direction. Investments in absolute return strategies are made through fund-of-funds and specific fund investments to increase strategy diversification.

ACTIVE MANAGEMENT
Managing the investments of a portfolio with the objective of outperforming the return of its benchmark. Active management generally takes two forms – security selection or change in asset allocations within the prescribed ranges. Security selection is the buying and selling of particular securities to earn a return above a market index. Asset allocation refers to changing asset class or sector weights to earn a return above what would be available from maintaining the asset class or sector weight in the benchmark.

ASSET MIX/ALLOCATION
The allocation of a pension fund's investments among various asset classes such as bonds, equities, real estate, etc.

BENCHMARK
A standard against which investment performance is measured.

BONDS
Certificates of indebtedness issued by corporations, municipalities or governments on which the issuer promises to pay a specified amount of interest for a specified length of time and to repay the loan on maturity or the expiration date. A bond purchaser is lending money to the issuer. Bonds have terms to maturity greater than one year.

EMERGING MARKET
An economy in the earlier stages of development whose markets have sufficient size and liquidity and are receptive to foreign investment. Examples include China, Greece, and Brazil.

EQUITIES/COMMON STOCK
Units of ownership of a corporation where owners typically are entitled to vote on the selection of directors and other important matters as well as to receive dividends on their holdings. In the event that a corporation is liquidated, the claims of secured and unsecured creditors and owners of bonds and preferred stock take precedence over the claims of those who own common stock. The liability of owners of equity is limited to the amount paid for the stock.

EXTERNAL MANAGER
A third-party firm contracted by the Investment Manager to provide investment management services.

LARGE CAP
"Large cap" refers to firms with large market capitalization. Market capitalization is simply the market value of a corporation's outstanding shares. In the US market, this refers to companies with market capitalization between $10 billion and $200 billion. These are the mega companies of the financial world: ExxonMobil, Microsoft, Citigroup, Wal-Mart and General Electric. Classifications such as "large cap" or "small cap" are only approximations that change over time.

PASSIVE MANAGEMENT
Managing the investments of a portfolio with the objective of matching/replicating the performance of a given market index or benchmark.

POLICY BENCHMARK/RETURN
The "policy benchmark" is a composite return based on the percentage of a pension plan's fund allocated by policy to each asset class and the market index return for that class. It is used to measure the plan's relative performance.

POOLED FUND
A fund in which money from two or more investors is accepted for investment and where units allocated to each investor serve to establish the proportionate interest at any time of each investor in the assets of the fund.

PRIVATE INCOME/INFRASTRUCTURE
Private Income opportunities represent privately-negotiated investments in private and publicly-traded entities. These investments are selected, structured and managed to provide (i) a current income component of total return, (ii) diversification and (iii) an inflation hedge. These investment opportunities are typically capital-intensive and may include infrastructure projects (long-life assets used to provide essential services), bridge loans and corporate finance arrangements (with a current income component of total return). Most infrastructure assets are illiquid assets.

REAL RETURN BOND
A fixed-income security (a bond) that generates a specified real rate of return. The real interest rate is the nominal (set) interest rate minus inflation.

SMALL CAP
"Small cap" refers to firms with relatively smaller market capitalization. Though there is no rigorous definition, in the US, a company with a market capitalization of between $300 million and $2 billion is considered a small cap. The definition can change over time.

STATEMENT OF INVESTMENT POLICIES AND GOALS
A comprehensive statement by the Board outlining the asset mix of the Fund, the allowable range for each asset class and the benchmarks for measuring performance.

SWAP
A privately-negotiated contract between two parties to exchange a stream of periodic payments on certain dates in the future based on an underlying investment. The size of these payments is normally determined in relation to a nominal, underlying amount, called the notional amount. The underlying security, representing the notional amount, is not exchanged between counterparties. Swaps available in and between all financial markets include, but are not exclusive to, equities, currencies, fixed income and commodities.

TIMBERLAND
Timberland investments are made primarily in privately-owned areas of woodland; that is, forested areas consisting of both hardwood and softwood species. When responsibly managed, timberland investments are a renewable and sustainable resource. Timberland investments are illiquid assets.

TOTAL RETURN
Interest income plus price increases or decreases.

TREASURY BILL/T-BILL
A short-term government debt security.

UNFUNDED LIABILITY
When the actuarial valuation determines that a pension fund's accrued liabilities exceed the assets available for the payment of benefits.

YMPE (YEAR'S MAXIMUM PENSIONABLE EARNINGS)
The maximum earnings set each year by the Canada Pension Plan (CPP) up to which employers and employees are required to make CPP contributions.

The YMPE for recent years is shown below:

2005	$ 41,100	2008	$ 44,900
2006	$ 42,100	2009	$ 46,300
2007	$ 43,700	2010	$ 47,200

BMO SMALL CAP BLENDED INDEX
An index maintained by BMO Nesbitt Burns that is made up of 400 representative Canadian public companies and income trusts with market capitalizations of less than 0.1% of the S&P/TSX Composite total capitalization. This index is market capitalization weighted.

CONSUMER PRICE INDEX (CPI)
The Consumer Price Index (CPI) is an indicator of the prices encountered by consumers. It is obtained by calculating, on a monthly basis, the cost of a fixed "basket" of commodities purchased by a typical consumer during a given month. The CPI is published by Statistics Canada and is a widely used indicator of inflation (or deflation) in Canada.

DEX 91-DAY T-BILLS INDEX
An index maintained by PC Bond that represents the performance of Government of Canada 91-day Treasury Bills.

DEX LONG BOND INDEX
An index maintained by PC Bond that tracks the performance of most marketable, domestically issued, Canadian bonds with terms to maturity of more than 10 years. This index is comprised of Canada's, provincial, municipal and AAA-through BBB-rated corporate issuers.

DEX LONG GOVERNMENT BOND INDEX
An index maintained by PC Bond that tracks the performance of bonds issued by the government of Canada (including crown corporations), provincial governments (including provincially guaranteed securities) and municipal governments with terms to maturity of more than 10 years.

DEX REAL RETURN BOND INDEX
An index maintained by PC Bond that tracks the performance of real return (inflation-linked) bonds issued in Canada with terms to maturity of more than one year and a minimum credit rating of BBB (low).

DEX UNIVERSE BOND INDEX
An index maintained by PC Bond that tracks the performance of most marketable, domestically issued, Canadian bonds with terms to maturity of more than one year. This index is comprised of Canada's, provincial, municipal and AAA-through BBB-rated corporate issuers.

HFRX GLOBAL INVESTABLE INDEX (HEDGED C$)
An index maintained by the Hedge Fund Research, Inc. (HFR) that utilizes an objective rules-based methodology to diversify across hedge fund managers that have low correlations to traditional asset classes. This index is rebalanced quarterly and is passively investable. This is a US dollar denominated index where the US currency exposure is passively hedged back into Canadian dollars.

ICREIM/IPD LARGE INSTITUTIONAL ALL PROPERTY INDEX
An index maintained by the Institute of Canadian Real Estate Fund Managers/International Property Databank that measures the total return from the six largest Canadian peer funds, which individually have real estate portfolios valued greater than $1.5 billion.

MSCI ACWI (MORGAN STANLEY CAPITAL INTERNATIONAL ALL COUNTRY WORLD INDEX)
An index maintained by the MSCI Index Committee designed to measure market equity performance of developed and emerging markets. The MSCI ACWI is a free float-adjusted market capitalization index that is calculated on a total return basis, which includes re-investment of net dividends after deduction of withholding taxes. As of January 2009, the MSCI ACWI consisted of 46 country indices comprising 23 developed and 23 emerging market indices representing approximately 85% of the market value of securities listed in the included countries.

MSCI EAFE (MORGAN STANLEY CAPITAL INTERNATIONAL – EUROPE, AUSTRALASIA, FAR EAST)
An index maintained by the MSCI Index Committee that is designed to measure developed public market equity performance, excluding the US and Canada. As of December 2005, the MSCI EAFE Index consisted of 21 developed market country indices representing approximately 85% of the market value of securities listed in the included countries.

MSCI EMERGING MARKETS NET INDEX
An index maintained by the MSCI Index Committee that is designed to measure emerging public market equity performance net of withholding taxes. As of December 2005, the MSCI Emerging Market Index consisted of 25 emerging market country indices.

RUSSELL 2500 INDEX
An index maintained by the Frank Russell Company that measures the performance of the 2500 smallest companies in the Russell 3000. The Russell 2500 is taken to represent small and mid cap US equities.

S&P/TSX COMPOSITE CAPPED INDEX
An index maintained by the S&P/TSX Canadian Index Policy Committee that measures the return on the largest companies and trust units listed on the Toronto Stock Exchange. Any stock in the S&P/TSX Capped Composite Index whose float capitalization exceeds 10% of the Index is capped at 10% during the quarterly rebalancing process.

STANDARD & POOR'S 500 INDEX
An index maintained by the Standard & Poor's Index Committee that that includes a representative sample of 500 leading operating companies in the US economy to create a broad market portfolio representing approximately 75% of the market capitalization of US public equities.

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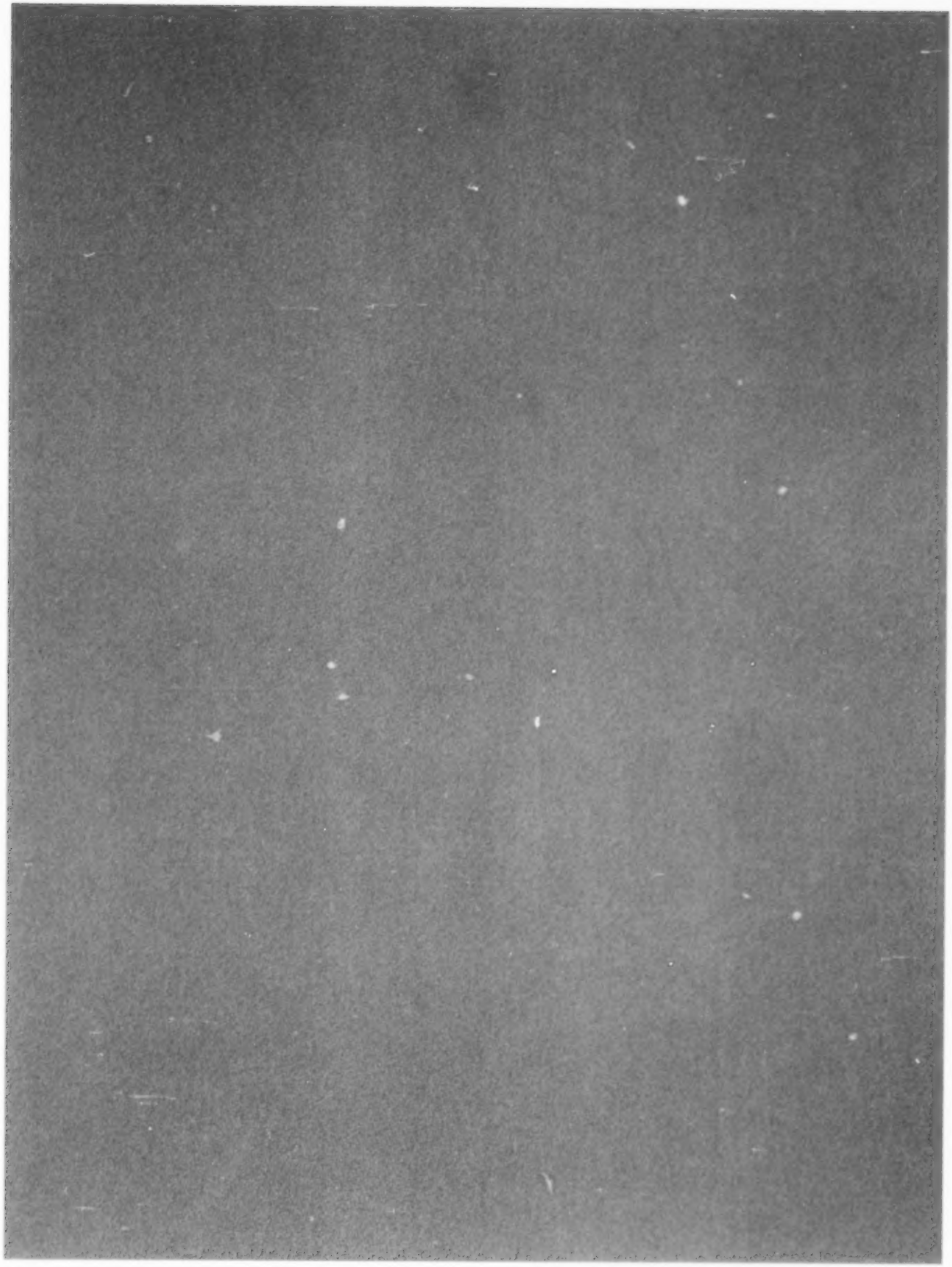

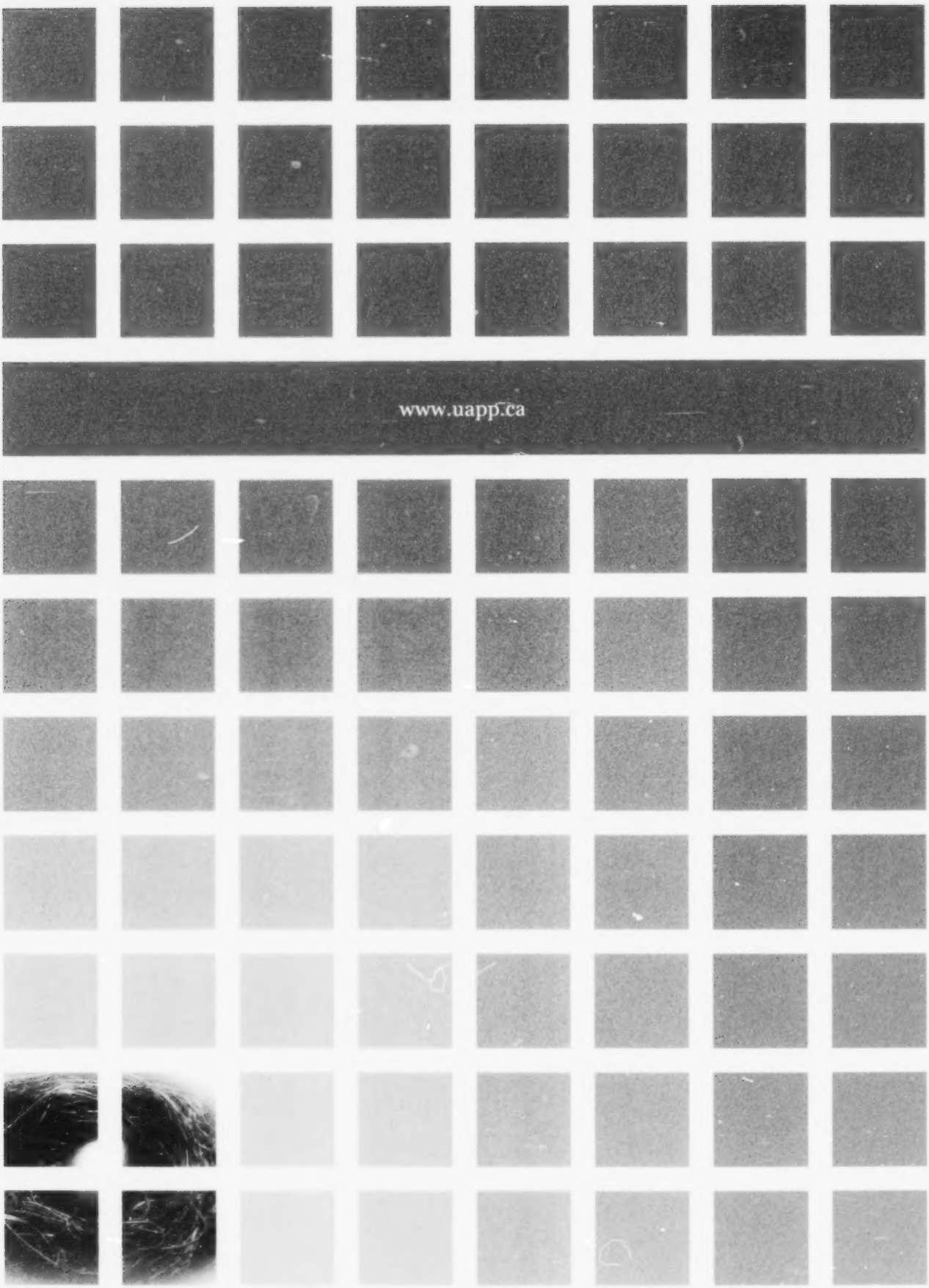
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